

# A framework to enhance budget transparency in local government

by

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the degree of Master of Engineering Management in the  
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# Declaration

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# Abstract

## A framework to enhance budget transparency in local government

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The high expectations of the citizens of South Africa, that became prominent after the first democratic election in South Africa, have manifested as the “Rebellion of the poor” with subsequent service delivery protests that are becoming more frequent and more violent. The efficient use of resources at all levels of government, but specifically at local government level will allow for better service delivery, but citizens need to be given information and allowed to make inputs prior to decisions being taken to understand the budgetary constraints and prioritise projects.

The primary objectives of this study are, firstly, the development of a framework to enhance budget transparency in local government, with the aim of managing citizen expectation and reducing the phenomena of service delivery protests in South Africa. Secondly, framework validation within the context of local government.

The achievement of the primary objectives rely on the successful achievement of secondary objectives. The first secondary objective is to define and contextualise the current state of service delivery as a function of local government in South Africa. Secondly, to evaluate best practice guidelines and frameworks for budgeting methodology in local governments in the current literature discourse. Lastly, to evaluate best practice guidelines and frameworks for communicating budget expenditure to citizens in local government in the current literature discourse.

*ABSTRACT*

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A case study research approach, along with structured interviews for data collection, was followed and the knowledge gained through the validation allowed for improvement of the framework and the operationalisation of the framework. The conclusion was made that the framework does hold promise as an expectation management tool to reduce the phenomena of service delivery protests in South Africa.

# Uittreksel

## 'n Raamwerk vir die bevoerdering van begrotingsdeursigtigheid op plaaslike regeringsvlak.

*("A framework to enhance budget transparency in local government")*

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Die hoë verwagtinge van die burgers van Suid-Afrika, wat prominent geword het na die eerste demokratiese verkiesing in Suid-Afrika, het as die "Rebellion of the poor" gemanifesteer met daaropvolgende betogings teen swak dienslewering wat al hoe meer gewelddadig raak. Die doeltreffende gebruik van hulpbronne op alle vlakke van regering, maar spesifiek op plaaslike regeringsvlak, sal beter dienslewering moontlik maak. Burgers moet egter inligting gegee word en toegelaat word om insette te lewer, voordat besluite geneem word, om die begrotingsbeperkings te verstaan en projekte te kan prioritiseer.

Die primêre doelwitte van hierdie studie is eerstens die ontwikkeling van 'n raamwerk om begrotingsdeursigtigheid in plaaslike regering te verbeter, met die doel om burgerverwagtinge te bestuur en die verskynsels van betogings teen swak dienslewering in Suid-Afrika te verminder. Die tweede primêre doelwitte is die validasie van die raamwerk binne die konteks van plaaslike regering.

Die bereiking van die primêre doelwitte is gekoppel aan die suksesvolle bereiking van sekondêre doelwitte. Die eerste sekondêre doelwit is om die huidige stand van dienslewering as 'n funksie van plaaslike regering in Suid-Afrika te definieer en te kontekstualiseer. Tweedens, om die beste praktykrylyne en raamwerke vir begrotingsmetodologie in plaaslike regerings in die huidige literatuuur te evalueer. Laastens, om die beste praktykrylyne en raamwerke om begrotingsuitgawes aan burgers in plaaslike regering te kommunikeer.

in die huidige literatuuurdiskoers te evalueer.

'n Gevallestudie-navorsingsbenadering, saam met gestruktureerde onderhoude vir data-insameling, is gevolg en die kennis wat verkry is deur die validasie maak dit moontlik om die raamwerk en die operasionalisering van die raamwerk te verbeter. Die gevolgtrekking is gemaak dat die raamwerk as 'n verwagtingsbestuursinstrument belofte toon om die verskynsel van betogings teen swak dienslewering in Suid-Afrika te verminder.

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# Acronyms and Abbreviations

|               |   |
|---------------|---|
| <b>ANC</b>    | African National Congress                                 |
| <b>ASGISA</b> | Accelerated and Shared Growth Initiative for South Africa |
| <b>BI</b>     | business intelligence                                     |
| <b>BIS</b>    | business intelligence systems                             |
| <b>DPW</b>    | Department of Public Works                                |
| <b>DSS</b>    | decision support systems                                  |
| <b>EPWP</b>   | Expanded Public Works Programme                           |
| <b>IBP</b>    | International Budget Partnership                          |
| <b>ICT</b>    | information and communication technology                  |
| <b>IDP</b>    | Integrated Development Plan                               |
| <b>IMF</b>    | International Monetary Fund                               |
| <b>IS</b>     | information systems                                       |
| <b>GDP</b>    | gross domestic product                                    |
| <b>GEAR</b>   | Growth, Employment and Redistribution                     |
| <b>LGBTF</b>  | Local Government Budget Transparency Framework            |
| <b>MFMA</b>   | Municipal Finance Management Act                          |
| <b>NGP</b>    | New Growth Path   |
| <b>NDP</b>    | National Development Plan 2030                            |
| <b>OECD</b>   | Organisation for Economic Co-operation and Development    |
| <b>PI</b>     | performance information                                   |
| <b>PSI</b>    | public sector information                                 |



*ACRONYMS AND ABBREVIATIONS*

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**PWP**      Public Works Programme

**RDP**      Reconstruction and Development Programme

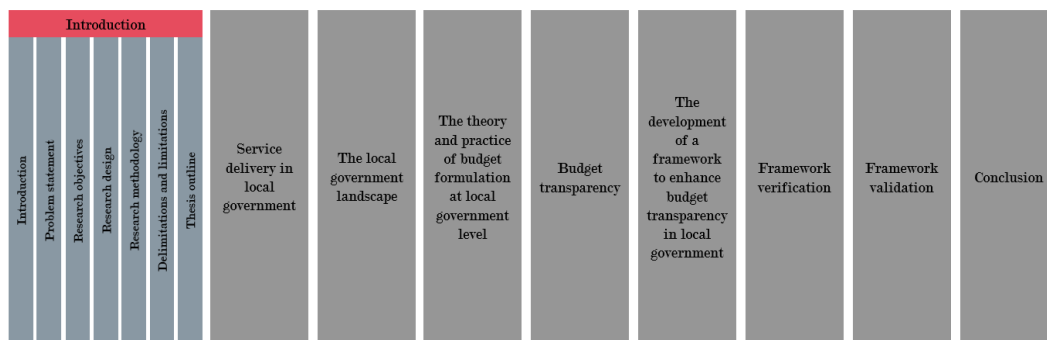
# Chapter 1

## Introduction

“Die een is vir almal. Vir almal wat kan hoor.  
Vir almal met iets tussen die ore wat nog wil  
droom.”

— Van Coke Kartel - Vir Almal

**Figure 1.1:** Study outline.



### 1.1 Introduction

The high expectations of the citizens of South Africa, that became prominent after the first democratic election in South Africa, have manifested as the “Rebellion of the poor” with subsequent service delivery protests that are becoming more frequent and more violent. The efficient use of resources at all levels of government, but specifically at local government level will allow for better service delivery, but citizens need to be given information and allowed to make inputs prior to decisions being taken, in order to understand the budgetary constraints and prioritise projects.

In this study the most recent literature and theory on budgeting formulation and budgeting transparency and communication methodologies are evaluated. An attempt is made to develop a framework to enhance budget transparency in local government. The aim of the framework is to manage citizen expectation and reduce the phenomena of service delivery protests in South Africa.

In the development of the framework attempts are made to define best practice in budgeting formulation and budgeting transparency and communication methodologies, as found in the literature. The best practice approaches to these methodologies are reconciled with existing methodologies in a South African local government institution.

Modern social phenomena are complex and multiple areas of expertise are necessary. Jabareen (2009) states that a multidisciplinary approach to research is needed to study and better understand modern phenomena and adds that a qualitative research methodology is advised.

This first chapter introduces the rationale for and definition of the problem and research objectives. Section 1.2 presents the problem statement, while the research objectives to address the problem statement are presented in Section 1.3. Section 1.4 discusses the reasoning behind the choice of research methodology, while Section 1.5 is a discussion on the research objectives and questions that are fundamental to the study.

## 1.2 Problem statement

Democracy relies on individual participation in decision making, either directly or indirectly via elected leaders. Individual participation in turn relies on information. Government transparency through access to information is a key component in achieving accountability and strengthening democracy (Piotrowski and Van Ryzin, 2007).

The expectations created by successive governments during political campaigns has led to what has been called the “Rebellion of the poor” with violent service delivery protests occurring with higher frequency (Alexander, 2010, 2012a,b; Alexander *et al.*, 2016). The violent service delivery protests is a symptom of the failure to deliver on promises and a framework to enhance budget transparency can help reduce the frequency of these protests by managing citizen expectations.

The primary and secondary research objectives, as well as the research questions, are detailed in Section 1.3.

## 1.3 Research objectives

Table 1.1 summarises the research problem, objectives and subsequent research questions, as well as the research methods and design. It serves as a helpful guide for further discussion of the chapter sections. The study has two primary objectives, but seven secondary objectives need to be addressed in order to address the primary objectives.

Table 1.1: Research summary.

| Problem Statement  | Primary objectives  | Secondary objectives   | Research Questions  | Methodology   | Thesis Outline |
|--|---|--|---|---|----------------|
| Lack of a framework to enhance budget transparency in local governments contributing to dissatisfaction among citizens which leads to violent service delivery protests. | <b>P0 1:</b><br>Develop a conceptual framework to enhance budget transparency in local government with the aim of managing citizen expectations and reducing the occurrence of service delivery protests. | <b>SO 1:</b> Define and contextualise the current state of service delivery as a function of local government in South Africa.   | <b>RQ 1:</b> What is the nature and extent of customer dissatisfaction protests at local government level?<br><b>RQ 2:</b> What does the local government landscape entail, along with co-operative governance? | Literature review of peer reviewed publications and media reports.                                    | Chapter 2      |
|  |   | <b>SO 2:</b> Evaluate best practice guidelines and frameworks for budgeting methodology.   | <b>RQ 3:</b> What are the best practice guidelines and requirements for budgeting in local governments?   | Literature review of peer reviewed publications.  | Chapter 3      |
|  |   | <b>SO 3:</b> Evaluate best practice guidelines and frameworks for communicating budget expenditure to citizens.                  | <b>RQ 4:</b> What are the best practice guidelines and requirements for communicating budget expenditure to citizens in local governments?  | Literature review of peer reviewed publications.  | Chapter 4      |
|  |   | <b>SO 4:</b> Identify the requirements of the framework work.  | <b>RQ 5:</b> What are the required processes and activities of the framework?   | Synthesisation of framework requirements from literature review.                                      | Chapter 6      |
|  | <b>P0 2:</b><br>Verify, validate and improve the developed conceptual framework.  | <b>SO 5:</b> Verify that the framework has been developed according to the identified requirements.                              | <b>RQ 6:</b> Has the framework been developed according to the identified requirements?   | Synthesisation of framework requirements from literature review.                                      | Chapter 7      |
|  |   | <b>SO 6:</b> Validate the framework through structured interviews with subject matter experts and in a local government setting. | <b>RQ 7:</b> Does the framework adequately address the identified problem?  | Case study with data collection through the use of structured interviews with subject matter experts. | Chapter 8      |
|  |   | <b>SO 7:</b> Identify areas for improvement in the framework.  | <b>RQ 8:</b> Where can the framework be improved?   | Structured interviews with subject matter experts.  | Chapter 8      |

The research design is discussed in Section 1.4

## 1.4 Research design

This section is an exploration of the different terms and concepts used in the development of a framework in business and management research. The aim of this section is to better understand the primary objectives and how to adequately address them.

Sutton and Staw (1995) states that the terms ‘concept’, ‘model’, ‘theory’ and ‘framework’ are often used interchangeably in business and management research and that a lack of consensus on the definition of a theory exists among researchers. Furthermore, a lack of consensus exists on whether a conceptual framework and a theory is different or distinguishable. Saunders *et al.* (2015) emphasises the interchangeable use of the terms ‘conceptual framework’, ‘model’, ‘concept’ and ‘theory’ and that ‘conceptual model’ or ‘conceptual framework’ may in actual fact refer to a ‘theory’.

Saunders *et al.* (2015) states that the different uses of these terms can be attributed to the differences in the underlying disciplines that management research calls upon. Adding that the researcher needs to define the different terms to be used for clarity to the reader.

Sutton and Staw (1995) and Saunders *et al.* (2015) highlights the following defining characteristics of a theory:

- A systematic body of knowledge;
- Grounded in empirical evidence;
- Can be used for explanatory and predictive purposes;
- Brings together related facts and concepts that describe and interpret;
- Explains or predicts, using a system of ideas based on general principles, delving into the underlying processes to provide reasons for occurrence or non-occurrence;
- Changes on the basis of new, emerging observation and evidence; and
- Can be contradicted or verified.

The verification or contradiction of a theory is done by comparing the predictions that the theory provides with measurements taken in practice (Saunders *et al.*, 2015).

Saunders *et al.* (2015) states that three different levels of theory exist, delineated by the theory's ability to create a paradigmatic shift. The three levels are:

- Grand theory - A grand theory is universally applicable and changes the way we think about the world, such as Darwin's theory of evolution;
- Middle-range theory - A middle-range theory is more restricted in application than a grand theory and unlikely to cause a paradigm shift. Maslow's hierarchy of needs is an example; and
- Substantive theory - A substantive theory provides insight into a problem within its particular context and is developed from middle-range theories. Therefore, substantive theories are less likely than middle-range theories to have general applicability.

Substantive theory still adds value to a particular subject of interest by enhancing the understanding of particular problems and by offering guidelines for the best course of action. Substantive theories can also be used to refine and enhance middle-range theories (Saunders *et al.*, 2015).

A mental image or abstraction of a phenomena is referred to as a concept. Stated differently, a concept is the summation of ideas or observations that describe the characteristics of a phenomenon. A concept is in contrast with a theory and can be seen as a method of grouping homogeneous things together. The concept of communication includes a sender, a receiver and a medium. The concept of telephone communication is therefore narrower and more focused (Saunders *et al.*, 2015).

Concepts can be combined into a conceptual model or framework. Models and frameworks are used to display how concepts and information are interconnected and provides a foundation for further theory building (Liehr and Smith, 1999; Imenda, 2014; Saunders *et al.*, 2015).

Distinctions can be made between models and frameworks. A model refers to the representation of concepts and their interrelationships. A framework may be built upon one or more existing models and takes the ontological and epistemological context into account <sup>1</sup>. A framework is evaluated against data collected while studying a phenomenon. The existence of discrepancies can then be used as justification for referencing multiple models, theories or concepts to explain the phenomenon (Liehr and Smith, 1999; Imenda, 2014; Saunders *et al.*, 2015).

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<sup>1</sup>Epistemology focusses on describing different ways of understanding phenomena, while ontology focusses on describing the phenomena and its underlying interactions.

The referencing of multiple models is the starting point for synthesis of a new framework and represents an integrated or multidisciplinary approach to the research. The conceptual framework, or model, could replace the current theoretical framework after extensive validation (Liehr and Smith, 1999; Imenda, 2014; Saunders *et al.*, 2015).

Imenda (2014) summarises the differences between a conceptual framework and a theoretical framework in Table 1.2.

**Table 1.2:** A summary of the differences between conceptual and theoretical frameworks

| Variable           | Conceptual framework  | Theoretical framework   |
|--------------------|---|---|
| Genesis            | Relies on a variety of conceptual or theoretical perspectives; and<br>Adapted from an existing theoretical perspective.   | Adapted from reviewed literature and collected data.  |
| Purpose            | Highlights the main variables and concepts in the research;<br>Provides a general approach for research methodology and design;<br>Provides guidance in the collection, interpretation and explanation of the data; and<br>Provides guidance for future research. | Helps illuminate the main variables and concepts in the research;<br>Provides a general approach for research methodology and design; and<br>Provides guidance in the collection, interpretation and explanation of the data. |
| Conceptual meaning | Synthesis of relevant concepts.   | Partial or complete application of a theory.  |
| Research approach  | Mainly inductive, especially where research problems cannot easily be explained by one theoretical perspective.   | Mainly deductive, especially where hypothesis testing occurs.   |



| Variable                | Conceptual framework  | Theoretical framework  |
|-------------------------|---|--|
| Methodological approach | Quantitative and qualitative research are frequently used;<br>Empirical and descriptive survey instruments, interviews and direct observations are used; and<br>Strong emphasis on the context. | Mainly quantitative research;<br><br>Experimental designs, empirical surveys and tests are used; and<br><br>Attempts to standardise the context. |
| Scope of application    | Limited to the specific research problem and context.   | Wider application beyond the current research problem and context.   |

Adapted from Imenda (2014).

Saunders *et al.* (2015) summarises the three different research approaches as follows:

- A deductive approach - A theory is developed after reading academic literature, where after a research strategy to test the theory is developed;
- An inductive approach - A conceptual model is built upon a theory developed by collecting data to explore a phenomenon observed in practice; and
- An abductive approach - A new theory or modification to an existing theory takes place by collecting data about, and exploring a phenomenon. The theory is tested through additional data collection.

According to Bianchi and Rivenbark (2012) two approaches to analysing performance management systems in public sector entities are often observed in the current discourse, both inductive. The approaches are:

- Survey research; and
- Case study research.

### Survey research

Survey research has the advantage of allowing a large number of public sector entities to participate, enabling the use of statistical inference to draw conclusions. The disadvantage of survey research is a lack of detail from a survey responses, preventing more technical conclusions to be drawn. Case study analysis, or research, allows for exploration of the underlying strengths

and limitations of a scenario to be investigated (Bianchi and Rivenbark, 2012).

### Case study research

A seminal paper on case study research was written by Eisenhardt (1989) and defines case study research as the use of one or more cases as empirical evidence to create theoretical constructs, propositions and midrange theory. Yin (1994) defines case study research as an empirical inquiry that focusses on a phenomenon within the context that it occurs. In addition, the boundaries between the phenomena and the context might not always be clear.

The research context is particularly important with an inductive approach and the approach starts by developing a better understanding of the nature of the problem. Case study research ultimately aims to inductively develop theory from different cases under investigation. Patterns of relationships may emerge from constructs within and across the different cases and their underlying logic, hence the term emergent theory. Replication logic refers to the fact that each case study is a distinct unit and able to stand on its own merit, whereas the use of multiple case studies serve to identify replications, contrasts, similarities, extensions to the theory, and elimination of alternative explanations (Eisenhardt, 1989; Yin, 1994; Eisenhardt and Graebner, 2007; Saunders *et al.*, 2015).

Eisenhardt (1989) provides a methodology on conducting case studies for theory induction in an iterative manner, starting by specifying the research questions and ending with reaching closure. The process has similarities to hypothesis testing research, such as problem definition and construct validation, while within-case analysis and replication logic are unique to the methodology that Eisenhardt advocates.

The methodology follows a linear pattern with the following steps:

- Getting started;
- Selecting cases;
- Defining instruments and protocols;
- Entering the field;
- Analysing data and searching for patterns across cases;
- Hypothesis shaping;
- Enfolding literature; and
- Reaching closure.

The methodology is detailed below, before a summary of the methodology is provided in Table 1.3.

**Getting started** involves focussing on a particular topic which could be broad and narrows as the study continues. Data collection is also started which helps in focussing on a particular research field (Eisenhardt, 1989; Yin, 1994; Eisenhardt and Graebner, 2007).

**Selecting cases** can be seen as an opportunity to further highlight scenarios and strengthen the emergent theory, therefore, cases do not have to be selected at random and can be selected on certain criteria. The objective of theory building research is to develop a theory and does not necessarily entail the testing of the emergent theory, therefore theoretical sampling, as opposed to random sampling in the case of hypothesis testing, is appropriate (Eisenhardt, 1989; Yin, 1994; Eisenhardt and Graebner, 2007; Stimie and Vlok, 2015).

According to Eisenhardt and Graebner (2007) theoretical sampling is the selection of cases that are able to provide insight into the relationship and logic among constructs and should be chosen on the merit of being able to offer theoretical insight. Yin (1994) emphasises that theoretical sampling of single cases should be chosen with relevancy in mind. Eisenhardt and Graebner (2007) notes that the presentation of evidence in single-case study research is accomplished by the use of quotations from informants and supporting evidence throughout the text. The text should also continually demonstrate the connection between the theory and empirical evidence. This approach has been successfully used by Eisenhardt (1989) and Stimie and Vlok (2015).

**Defining instruments and protocols** is mainly focussed on deciding on the best approaches for data collection. Data collection can take place through interviews, questionnaires, observations and archival sources (Eisenhardt, 1989; Yin, 1994; Eisenhardt and Graebner, 2007).

**Entering the field** is the start of data collection and the use of field notes with observations and other data collection methods creates insight into the scenarios under investigation. The collection of field notes and subsequent analysis provides the opportunity to question prior understanding and may lead to a revision of the original research objectives (Eisenhardt, 1989; Yin, 1994; Eisenhardt and Graebner, 2007).

**Analysing data** is the heart of theory building and builds insight into the theoretical framework. The analysis of the data may strengthen the general theory by building or improving on it or create new avenues for researchers by contradicting existing theories. Searching for cross-case patterns between vari-

able sets of data involves investigating categorical, dimensional, within group similarities and intergroup similarities. Searching for cross-case patterns is useful when the gathered data between cases seems to be conflicting, as this forces researchers to question initial impressions. Searching for cross-case patterns improves the likelihood of accurate, reliable and novel theory being created (Eisenhardt, 1989; Yin, 1994; Eisenhardt and Graebner, 2007).

**Hypothesis shaping** is a highly iterative process which requires systematic comparison between the cases based on the gathered data. Frequent switching between theory, data and evidence takes place until a theory is constructed that fits all the outcomes of the study. Multiple data sources are used iteratively to shape the hypothesis and validate the theory, while multiple cases are used as replication to either confirm or contradict the hypothesis. Each case is seen as an experiment that tests the hypothesis and a successful test strengthens the emergent theory (Eisenhardt, 1989; Yin, 1994; Eisenhardt and Graebner, 2007).

**Enfolding literature** entails the use of a literature study as reference to the hypothesis. The hypothesis is either confirmed or contradicted by the results of the case studies. Contradictions should not be seen as a negative result as it requires deeper investigation into why contradictions exist and what this may be attributed to. The internal validity, generalisability, and theoretical level of theory building from case study research is enhanced by relating the emergent theory to existing literature (Eisenhardt, 1989; Yin, 1994; Eisenhardt and Graebner, 2007).

**Reaching closure** marks the end of iterations or new cases being investigated. Saturation occurs when further analysis of the cases yields minimal changes in results. Saturation can also be viewed in terms of time and money where an increased spending of money or time takes place with a minimal change in results (Eisenhardt, 1989; Yin, 1994; Eisenhardt and Graebner, 2007).

Table 1.3 summarises the methodology advocated by Eisenhardt.

**Table 1.3:** Building theory from case studies.

| Step  | Activity   | Rationale   |
|---|--|---|
| Getting Started.                                      | Define the research question.  | Focusses effort; and<br>Provides a better grounding of construct measures.  |
| Selecting cases.                                      | Theoretical and non random sampling.   | Retains theoretical flexibility;<br>Constrains extraneous variation and sharpens external validity; and<br>Focuses effort on theoretically useful cases; i.e. those that replicate or extend theory by filling conceptual categories. |
| Defining instruments and protocols.                   | Multiple data collection methods; and<br>Combines qualitative and quantitative data;   | The triangulation of evidence strengthens the grounding of theory;<br>Provides a synergistic view of evidence; and<br>Fosters divergent perspectives and strengthens grounding.   |
| Entering the field.                                   | Contrast and compare data collection and analysis, including field notes, with flexible and opportunistic data collection methods. | Hastens analysis and reveals helpful adjustments to data collection; and<br>Allows investigators to take advantage of emergent themes and unique case features.   |
| Analysing data and searching for cross-case patterns. | Within case analysis; and<br>Cross-case pattern search using divergent techniques.   | Increases familiarity with data and preliminary theory generation; and<br>Investigators are forced to look beyond the initial impression.   |

| Step                  | Activity  | Rationale  |
|-----------------------|---|--|
| Hypothesis shaping.   | Iterative tabulation of evidence for each construct;<br>Use replication instead of not sampling logic across cases; and<br>Search for evidence of the reasons behind relationships. | Sharpens construct definition, validity and measurability;<br><br>Confirms, extends, and sharpens theory; and<br><br>Builds internal validity.   |
| Enfolding literature. | Contrast with conflicting literature; and<br>Compare with similar literature.   | Builds internal validity, raises theoretical level, and enhances construct definitions; and<br>Sharpens generalisability, improves construct definition, and raises theoretical level. |
| Reaching closure.     | Theoretical saturation where possible.  | The process ends when marginal improvement is minimal.   |

Adapted from Eisenhardt (1989).

The justification for the need for new theory is the starting point of theory building through case studies. A literature review is used to provide the context of the research and to frame the research with the aim of showing how and why case studies is ideal to build the necessary theory. The research strategy and methodology is presented in Section 1.5.

## 1.5 Research methodology

Eisenhardt (1989) state that multiple data collection methods should be used when building theory through case studies. The terms qualitative research and case study research are often used interchangeably, however, Eisenhardt and Graebner (2007) urges researchers to avoid using the terms loosely and to rather directly cite the qualitative methods used. The warning by Eisenhardt and Graebner (2007) is ascribed to the fact that case study research often involves both qualitative and quantitative data.

The method used during this study leans heavily on a systems engineering approach. Therefore, the problem statement, as introduced in this chapter, needs to be understood before any further research can take place. The problem is too complex to be understood as a whole and needs to be broken down into smaller objectives and research questions without losing sight of the pri-

mary objective.

**Figure 1.2:** A simplified systems engineering approach for framework development.



Adapted from Peffers *et al.* (2007); Kennon (2017).

The systems engineering approach, shown in Figure 1.2, presents this methodology as four steps:

- Requirements analysis - Identify the requirements of the framework from the current literature discourse. The requirements for the framework are highlighted during the literature review and summarised at the end of each chapter;
- Conceptual framework development - Develop the framework after identifying the appropriate paradigm;
- Framework process development - Develop the steps, or operationalisation, of the framework to aid implementation; and
- Verification and validation - Ensure that the framework meets the identified requirements.

Case studies present an ideal methodology for validating frameworks within a specific context. According to Bryman *et al.* (2014) case studies attempt to investigate a specific case before a theoretical analysis of the received data is undertaken in order to determine how well the data underpins the theory of the study.

The validation of case study research is often comprised of a single case study focussing on understanding the dynamics in a specific context (Eisenhardt, 1989; Hussey and Hussey, 1997; Stimie and Vlok, 2015). According to Yin (2013), case study research has the following characteristics:

- Case study research aims to understand and explore phenomena within a certain context;
- Case study research typically commences without a set of questions and without knowing the limits of the context; and

- Case study research makes use of multiple methods of data collection which may be both qualitative and quantitative.

Eisenhardt (1989) also states multiple data collection methods can be used in case study research and that these can be combined. Denzin (2012) advocates this approach and describes it as triangulation, stating that this approach leads to greater validity and reliability than a single data collection methodology.

Triangulation may refer to the use of multiple data sources - qualitative and/or quantitative - in the same study to validate and strengthen a theory. Triangulation may also refer to a strategy for justifying and underpinning knowledge by gaining additional knowledge. Both references are valid and depends on the context of the study (Flick *et al.*, 2004; Hussein, 2015).

Structured interviews are used for data collection and takes place through the asking of questions in a structured manner. Structured interviews have the added effect of allowing for face validation to take place.

A number of delimitations and anticipated limitations of the dissertation are presented in Section 1.6.

## 1.6 Delimitations and limitations

The setting of boundaries is paramount when new areas in research are explored to ensure the scope and focus of the study remains within the intended purpose. The major boundaries of this study are laid out regarding the application environment of the framework and its intended purpose as follows:

- The study is concerned with the field of budget transparency in a local government setting specifically and no attempts will be made to evaluate the quality of strategic content that might be evaluated during the course of the study; and
- The focus of the study is the development of a conceptual framework to enhance budget transparency in local government and the main framework elements that are required for this purpose. Some elements might be generic but no attempts will be made to claim that the framework will be effective in environments other than local governments in South Africa;

The following limitations and uncontrollable variables should also be noted:

- Empirical research allows for the quantification of the extent to which validation objectives are met, however, the validation objectives of this



study require a more qualitative approach when the achievement of validation objectives are evaluated. The implication of this approach is that the application impact will have to be determined through feedback from subject matter experts as well as other anecdotal evidence during the validation process; and

- The study requires that the potential impact and effectiveness of a very high-level management intervention need to be validated. Organisations are highly complex and dynamic environments, and it is often impossible to accurately isolate the impact of a specific intervention. Furthermore, such interventions may take significant time to realise changes and observe the full effect.

The outline of the thesis is presented in Section 1.8.

## 1.7 Thesis outline

The outline of the study represents the breakdown of the research content into a logical flow of chapters. This enables the reader to understand the structure of the study and the sequential order that it follows. The structure is aligned to the research design and allows the research objectives to be sequentially addressed.

### **Chapter 1: Introduction**

Chapter 1 introduces the study by establishing the background and problem statement of the research. The research objectives and the delimitations of the study are also introduced. Finally, the research approach, its design and methods as well as the outline of the research are presented.

### **Chapter 2: Service delivery in local government**

Chapter 2 presents the first part of the literature study. The expectations created by successive governments during political campaigns prior to elections and the subsequent “Rebellion of the poor” are evaluated. A major contributing factor to service delivery protests in South Africa is the determination of expenditure priorities and the development of a local government budget that aims at addressing these priorities. Managing the expectations of citizens and communicating the outcomes of expenditure programmes also need to be addressed before the prevalence of service delivery protests will decline.

**Chapter 3: The local government landscape**

Chapter 3 provides a background to the functioning of local government within the broader framework created by the national legislature. Chapter 3 also introduces the concept of “trias politica” and the concepts of the levels of government as enshrined in the Constitution of South Africa. The Constitution of South Africa also calls for cooperation between levels of government and the legislative framework for this is explored in Chapter 3. Various policies and regulations that effect the Constitution are presented to further detail the context of the study.

**Chapter 4: The theory and practice of budget formulation at local government level**

Chapter 4 evaluates the literature around budgeting methodologies and forms the third part of the literature study. Chapter 4 aims to establish what is considered best practice in the current literature discourse. This is done by defining budgeting in a local government entity and detailing why it is important to organisational legitimacy by exploring the advantages and disadvantages of various budgeting methodologies.

**Chapter 5: Budget transparency**

Current discourse in academic literature on budget accountability is presented in Chapter 5, which forms the foundation for budget transparency in local government. Budget transparency, along with oversight and citizen participation is key to managing the expectations of citizens.

**Chapter 6: The development of a framework to enhance budget transparency in local government**

A proposed solution to the stated problem is presented in Chapter 6. Initially, an overview of the framework development and the framework elements is provided. This chapter then discusses each framework step in detail, which includes its purpose and value, the theoretical grounding and reasoning and interrelations in the framework.

**Chapter 7: Framework verification**

Chapter 7 deals with the verification of the framework. Verification entails investigating whether the framework has been developed according to the requirements identified during the literature review.

## **Chapter 8: Framework validation**

Chapter 7 presents the validation of the framework. An introduction of the theoretical background and research validation methods is provided. A discussion on the applied validation approach, a case study with data collection through the use of structured interviews, and the interview responses are provided. Finally, improvements of the framework derived from the validation process are presented.

## **Chapter 9: Conclusion and recommendations**

The final chapter of the study concludes the research. A brief summary of the study is provided. Finally, the dissertation ends with a discussion of the research limitations and recommendations for future research.

## **1.8 Chapter conclusion**

Chapter 1 has provided the context and reasons for the research in terms of logic and structure. The objectives of the study, the methods used to achieve these objectives and the road map for the structure of the thesis was also presented.

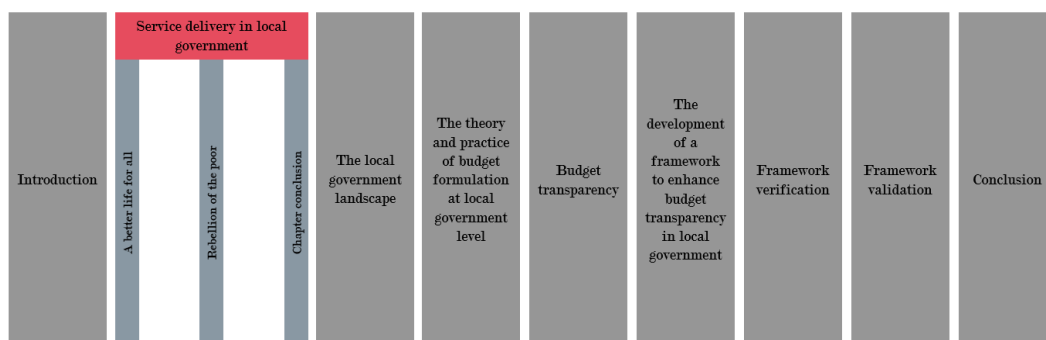
Two primary research objectives, as well as seven secondary research objectives and seven research questions were identified. The objectives and questions, as well as the accompanying methodology and thesis structure were summarised in Table 1.1. Chapter 1 laid the structural foundation on which the research for this dissertation is built.

## Chapter 2

# Service delivery in local government

“Hy is in jou, hy is in my, die duiwel is in die details.”

— Fokopolisiekar - Lied van die slang



Chapter 2 consists of the first part of the literature review that focusses specifically on the phenomenon of service delivery protests in South Africa. It reviews the promises of service delivery made by government, provides examples and characteristics of service delivery protests and evaluates the possible causes for it. This is important because central to this study is the premise that high levels of dissatisfaction with local government service delivery are, in part, due to poor expectation management on the part of government.

The chapter introduces the concept of customer satisfaction as a function of service delivery and expectation management. The chapter examines why there is dissatisfaction with service delivery in light of expectations created by successive governments during previous political campaigns prior to elections. The content of this chapter speaks to SO1 as identified in Table 1.1 in

that it defines and contextualises the state of service delivery as a function of local government in South Africa. It aims to answer research question 1 (RQ1).

The literature reviewed in this chapter confirms the problem statement of the study and subsequently provides the first justification for the creation of a conceptual framework that will enhance budget transparency in order to better inform citizens' expectations of local government given the limitations of the state's fiscal abilities.

In the seminal article by Miller (1977), **customer satisfaction** is defined as the correlation between the purchase and use of a product and service, along with the rewards and costs of the purchase, in relation to the anticipated consequences or expectations. In line with Miller's definition, customer satisfaction will, for the purpose of this study, be defined as follows: Customer Satisfaction (CS) is a function of Service Delivery (SD) and Expectation Management (EM).

$$CS = SD + EM$$

**Service delivery** is defined as the state's ability to attend to the basic everyday needs of its citizens. Service delivery is constrained by the capacity and political will of the state to execute public services. Public services, as the main function of service delivery, are the state's responsibility in a social contract with its citizens and what the citizens expect in return for taxation (Reddy *et al.*, 2015).

Gilbert *et al.* (1982) and Miller (1977) define **expectations** as the anticipated performance of a product or service. Miller (1977) distinguishes between different types of expectations that customers might have:

- Ideal performance;
- Expected performance;
- Minimum tolerable performance; and
- Desirable performance.

Popular media refers to "service delivery protests", while the grievances raised can be more broadly defined as customer dissatisfaction combined with the subsequent protests that take place. Therefore, the terms *service delivery protests* and *customer dissatisfaction* are used interchangeably in this study.

Customers are dissatisfied when the performance of a product or service does not meet the expected performance (Miller, 1977; Gilbert *et al.*, 1982).

The purpose of the framework is not to address service delivery, but to be a tool for expectation management. However, it would be very difficult, if not impossible, to determine the weighted contribution of these variables to the overall sense of customer satisfaction, but that is not the aim of the study. The aim of the study is to develop a framework that can assist practitioners and academics to manage citizen expectations regarding the fiscal ability of local government to provide services.

According to Reddy *et al.* (2015), effective service delivery systems requires central, provincial and local actions that include:

- The promotion of transparency;
- Mechanisms of accountability;
- Citizen participation;
- Performance incentives; and
- Systems that enable the monitoring of outcomes to support capacity building.

Service delivery is a core aspect of the development goals of the South African government and a promise made by the African National Congress (ANC) with their slogan: “a better life for all” (Department of Welfare, 1997; Bozalek and Lambert, 2008; Manala, 2010).

The ANC started setting expectations regarding service delivery even before taking office in 1994. Since 1994 a multitude of programmes and models have been introduced with the main goal being poverty alleviation through universal access to basic services. The policies and frameworks are discussed in Section 2.1, while the execution of these promises and the response from the public is evaluated in Section 2.2.

## 2.1 A better life for all

The ANC, after coming to power in April 1994, promised that a democratic state would act to steer the mixed economy down a new economic growth path through various macro-economic policies. The first major attempt at creating a policy framework was a document called the Reconstruction and Development Programme (RDP). The RDP was the political manifesto of the ANC during its election campaign for the first democratic elections in South Africa

in 1994 and would be used as the framework for the transition to a democratic state. Nation building and improving the living standards of all South Africans through a local government sphere is at the heart of the RDP (Williams, 2006).

The document was to act as the primary socio-economic programme and its main aim was to rebuild and transform the economy after the years of the apartheid regime's economic isolation and financial sanctions enforced by the international community. According to African National Congress (1994) the RDP envisioned a fundamental transformation of South Africa and made the following promises:

- Sustainable growth and development in South Africa;
- A strong, dynamic and balanced economy;
- A democratic, non-racial and non-sexist country;
- The elimination of poverty, low wages and extreme inequality;
- The development of human resource capacity to achieve high skills and wages;
- The creation of productive employment opportunities at a living wage for all South Africans;
- Developing the capacity of government for strategic intervention in social and economic development; and
- An increase in the capacity of the public sector to deliver public services.

These promises would be met by addressing critical areas like poverty, unemployment and inequality through strategies that include:

- Land reform to reverse the injustices of apartheid and drive rural development;
- Industrialisation;
- Productivity improvements;
- Human capital development;
- Agricultural growth;
- Infrastructural development that will provide access to modern and effective services; and
- The provision of basic social services such as housing, education and health care.

In addition to the RDP the African National Congress (1994) also promised government intervention in the economy promising growth of 5% per annum and massive job creation, specifically 300,000 to 500,000 non-agricultural jobs per annum within five years.

Visser (2009) states that the RDP did achieve some of its social security objectives by establishing an extensive welfare system, helping the aged, disabled and others who are unable to meet their basic needs. However, social welfare was not the main target of the RDP but rather a focus on housing, with the goal of building more than one million houses in five years, and providing water and electricity to households.

Visser (2009) adds that the ANC government lacked the capacity to implement the RDP policies and highlights the following points:

- RDP staff lacked proper implementation skills resulting in huge backlogs in providing access to basic services;
- Only a third of the R15 billion allocated for reconstruction and development had been spent by March 1996;
- The annual economic growth rate of 2.5% was below the 4-6% hoped for by government;
- Provincial maladministration of primary nutrition programmes took place; and
- Dissatisfaction with service delivery and employment creation, as promised by the RDP policy, started growing.

Ultimately, the objectives of reducing poverty, income redistribution and providing access to social services were not fulfilled by the RDP.

The government of South Africa realised that the country needed new initiatives to create sustainable growth of greater than 3%. A second and new macroeconomic policy framework, called the Growth, Employment and Redistribution (GEAR) strategy, was released by the ANC government in 1996 (Adelzadeh, 1996; Moyo and Mambobolo, 2014).

GEAR was developed by a technical team of 15 policy makers consisting of officials from the Development Bank of Southern Africa, the South African Reserve Bank, three state departments, academics and two representatives of the World Bank. The aim was to rebuild and restructure the economy in order to reach the goals of the RDP. However, GEAR also had a number of newly introduced aims (Adelzadeh, 1996; Visser, 2009; Moyo and Mambobolo, 2014). The aims were to:



- Reduce fiscal deficits by cutting government spending and privatising state-owned assets;
- Enabling the private sector to lead economic development;
- Lower inflation;
- Maintain exchange rate stability and relaxing exchange control;
- Decreasing barriers to trade;
- Increasing exports and international competitiveness; and
- Increasing capital flows.

The most notable difference between the RDP and GEAR was the move to increase private capital accumulation for economic growth. The hope was that this increase would take place if the government was to refrain from economic intervention and create an optimal climate for private investment (Visser, 2009).

Disdain started nearly immediately after the release of GEAR. Adelzadeh (1996) of the National Institute for Economic Policy (NIEP) started questioning realisability of GEAR in August 1996. The following criticisms were presented against GEAR:

- No analytically sound and empirically justified strategy was presented;
- Constrained growth, employment and redistribution was predicted resulting in an increase in poverty; and
- Very little fiscal stimulus measures were presented.

The negative criticism was not unwarranted and the list of failures provide the evidence (Visser, 2009). The following took place during the implementation of GEAR:

- The economy grew by only 2.7% a year instead of the envisioned 6% between 1996 and 2001;
- Employment shrank instead of growing by 3%. More than 1 million jobs were lost instead of the additional 1,3 million job opportunities envisioned between 1996 and 2001;
- Real government investment grew at 1.8% instead of 7.1% and real private sector investment dropped sharply - from a 6.1% growth rate in 1996 to -0.7% in 1998.

- Welfare spending fell from 9.6% of the total budget in 1998/99 to 9.3% in 2000/01, and health spending from 12.2% to 11.7%.

Unsatisfied with the resultant growth rate of the GEAR strategy, President Thabo Mbeki replaced GEAR in 2005 by the Accelerated and Shared Growth Initiative for South Africa (ASGISA) as a further development on the first two developmental strategies. A primary concern from the RDP and GEAR eras were that, although the economy had grown by an average of 3% per annum during the period 1994-2004, and by 4% in 2004 and 5% in 2005, the levels of poverty and unemployment were still very high. Reaching levels of around 26% in 2004. Targets for GDP were to be on average 4.5% during 2005 to 2009 and 6% per annum for 2009 to 2014. Seekings (2015) recalls that president Thabo Mbeki promised, in his 2005 State of the Nation address, a developmental state that would invest heavily in skills development and public utilities, including electricity and infrastructure. ASGISA envisaged accelerating and reshaping growth so that unemployment and poverty would halve by 2014. Ironically, unemployment doubled between 1994 and 2012 (Government of South Africa, 2012; Moyo and Mambobolo, 2014; Seekings, 2015).

ASGISA was replaced with the New Growth Path (NGP) after the end Mbeki's presidency. President Zuma announced the NGP in 2010 (Mosala *et al.*, 2017). The main aims of the NGP were to:

- Reduce unemployment by 10% through the creation of five million more jobs by 2020; and
- Reduce economic inequalities by enhancing the livelihood of citizens with low incomes.

The NGP was only policy for two years before being replaced by the National Development Plan 2030 (NDP).

The NDP, released in 2012, is a policy framework for eliminating poverty and reducing inequality in South Africa by 2030. The NDP is currently the main policy document used to shape budget allocation within government. The NDP identifies key constraints to faster growth and presents a roadmap to a more inclusive economy (National Planning Commission, 2010; Moyo and Mambobolo, 2014; Seekings, 2015).

According to Moyo and Mambobolo (2014) and Seekings (2015) the NDP is based on the realisation that some progress has been made since 1994 but that the status quo is likely to fall short in meeting the objectives of a prosperous, united, non-racial and democratic South Africa that is characterised by equality for all. The NDP acknowledges the following truths about post-1994 South Africa:

- The failure to provide all South Africans with meaningful economic opportunities;
- A failed schooling system, unable to equip young people with skills;
- Persistent poverty and inequality; and
- State institutions that performed unevenly and often poorly.

The National Development Plan 2030 (NDP) identifies the following key areas that need to be focussed on to improve local government and service delivery:

- Accountability and oversight should be strengthened - Citizens need access to information to hold public servants and politicians accountable;
- Interdepartmental coordination needs to take place - Communication between officials to make decision making easier; and
- Relations and oversight between national, provincial and local government is needed - An enabling framework and oversight is needed so that resource use can be planned over provinces and municipalities.

The NDP has been praised for its long-term vision of a sustainable and inclusive development path. However, according to Moyo and Mambobolo (2014), the NDP appears to negate some of the policies accepted in the RDP and that concerns exist about the lack of comprehensive and effective strategies in the NDP and within government. Adelzadeh (1996) stated, as early as 1996, that the pace of delivery of new policy documents is much faster than the delivery of the objectives themselves.

Figure 2.1 shows the annual gross domestic product (GDP) growth rate of South Africa during the different policies by year.

**Figure 2.1:** The annual GDP growth rate of South Africa by policy and year.



Adapted from Mosala *et al.* (2017); The World Bank: South Africa: Statistics South Africa (2017).

The ANC government has failed to deliver on the two decades of promises of economic redistribution and industrialisation (Ansari, 2017). A consequence of expectations, created by these policies and unmet thus far, are the waves of service delivery protests across South Africa, which are mostly endured by local government<sup>1</sup>. Service delivery protests mostly stem from the lack of access to basic services, including access to sanitation, water, refuse removal, electricity and basic housing. These and other challenges, as well as the functioning and legislative framework for local government in South Africa is discussed in more detail in Chapter 3 (Booyesen, 2007; Alexander *et al.*, 2016).

In Section 2.2 the nature and extent of service delivery, a main driver of the so called “Rebellion of the poor” in South Africa, is discussed.

<sup>1</sup>South Africa experiences more protest per capita and more strike days per worker than any other country in the world (Alexander *et al.*, 2016).

## 2.2 Rebellion of the poor

“Daar is chaos buite. Hoor dit deur ons sitkamerruite.  
Kry duidelikheid deur ons tv-stelle. Haatspraak en  
hofbevele. Hoor ons chaos buite. Orals chaos buite.”

— Van Coke Kartel, Jack Parow - Chaos

The term “Rebellion of the poor” was first used by Alexander (2010) to emphasise the increase in the number of protests in South Africa, particularly service delivery, or customer dissatisfaction, protests. Examples of customer dissatisfaction protests along with its characteristics and causes are discussed in Sections 2.2.1, 2.2.2 and 2.2.3

### 2.2.1 Customer dissatisfaction protest examples

While protests based on dissatisfaction with government service delivery have been labelled “service delivery protests” by the media, this study refers to these protests as customer dissatisfaction protests to account for the role of expectation management.

There are many examples of inadequate service delivery over the past 20 years. Manala (2010) investigated the building and delivery of RDP houses and points to three specific problems:

- Bad workmanship - At the end of the year 2009, 3000 houses in the Northern and Eastern Cape were earmarked for destruction due to low quality construction;
- Funds run out while projects remain unfinished - Projects are left at foundation level while the businesses that won the tenders for RDP houses are disappearing with millions of Rands; and
- Corrupt government officials - Officials in charge of allocating RDP houses to the poor for free are selling the RDP houses for their own gain.

Netswera and Kgalane (2014) recalls an event on 24 January 2014 where residents of the Madibeng local municipality in Brits brought the town to a standstill. The town’s water supply had been interrupted for some time and protesters cited high levels of corruption as another grievance. The local municipality had decided to outsource water delivery on trucks rather than fix the main water supply lines, intending to make money from the water delivery system. In the same month, a service delivery protest turned violent near Bronkhorstspuit after residents complained about being without electricity for weeks. Protesters burnt down the satellite police station in Zithobeni, as

well as burning down part of the municipal offices, two municipal trucks and a tractor.

The biggest category of protest, since 2009, is service delivery protests. The size of the protests varies from less than a hundred people to more than 10,000, most often around 500 people are involved. The protests usually start as street processions but often turn to the construction of barricades made of burning tyres, arson, looting and physical attacks on councillors and xenophobia. The duration of the protests has been from less than one day to several months (Alexander *et al.*, 2016).

Allan and Heese (2011) state that service delivery protests started taking place in 2004 and have escalated in number and in the level of violence ever since. Allan and Heese (2011) places particular emphasis on the fact that the reasons for many of these protests are poorly understood, making it difficult to label a protest as a service delivery protest. However, Allan and Heese (2011) suggest that the term sufficiently describes a protest which is galvanised by inadequate service delivery and enables the labelling of similar events across South Africa.

Service delivery protests are not limited to South Africa but the level of violence and destruction during protests is higher in South Africa than anywhere else in the world. The violence has its origin in anti-apartheid protests during the 1980s, which was an attempt to make townships ungovernable and draw as much attention as possible (Netswera and Kgalane, 2014).

### 2.2.2 Customer dissatisfaction protest prevalence and characteristics

Many protesters regard local government or their ward councillor as the only point of contact for grievances, regardless of the department responsible for the infrastructure or service related to the grievance (Lancaster, 2016).

Allan and Heese (2011), Nyar and Wray (2012) and Alexander *et al.* (2016) state that service delivery protests are not only sparked by inadequate service delivery and high levels of unemployment, but that service delivery protests share a set of characteristics:

- Service delivery protests take place in informal settlements or low-income areas that form part of metropolitan municipalities or large cities, but has affected rural areas as well;
- A strong correlation exists between the numbers of protests per capita and the number of people living in informal housing;

- Protests always occur in black townships;
- Service delivery protests bear little to no evidence of formal planning or association with institutions;
- Protesters feel marginalised; and
- Protesters feel that they are not being heard by political figures.

The period between 2009 and 2013 had no less than 10 000 public gatherings. Poor service delivery was cited as the cause in 45% of these public gatherings, while the use of violence during protests increased from under 50% of protests in 2007 to more than 80% of protests in 2014. Metropolitan municipalities bore the brunt of protests between 2012 and 2014 with 55% of protests occurring within the borders of metropolitan municipalities (Steyn, 2016).

A survey done in Gauteng in 2009 showed that 57% of respondents were satisfied with national government, 50% with provincial government and only 40% were satisfied with their municipalities. Respondents stated that they were not satisfied with local government in 27% of the cases, while 13% stated that they were very dissatisfied (Nyar and Wray, 2012). Research by Manala (2010), indicates that the bulk of service delivery protests between January and July 2009, 30%, occurred in Gauteng, followed by 17% in Northwest and 15% in the Free State.

Research done by Lancaster (2016) has found that violent protests in South Africa often occur only after other methods to raise issues have been exhausted. These methods include discussions with ward councillors or relevant government entities with petitions from citizens, unfortunately, local government is often regarded as unresponsive.

An average of 2.9 unrest incidents occurred per day between 2009 and 2012 in South Africa. This is a 40% increase on the average of 2.1 recorded incidents per day during 2004 to 2009. These numbers, and those beyond 2012, are presented in Table 2.1 by contrasting peaceful and violent incidents.

Adapted from Alexander (2012a); South African Police Service (2016, 2017).

The “Rebellion of the Poor” is visible in the numbers from Table 2.1. A 2015 official report showed that 53.8% of the South African population is living in poverty, compared to the first such study after 1994, published in 1998, which showed that 50.0% of the South African population was living below the poverty line (Alexander *et al.*, 2016). This number is still on the rise.

**Table 2.1:** Crowd management incidents.

| Year    | Peaceful | Violent |
|---------|----------|---------|
| 2004/05 | 7 382    | 622     |
| 2005/06 | 9 809    | 954     |
| 2006/07 | 8 703    | 743     |
| 2007/08 | 6 431    | 705     |
| 2008/09 | 6 125    | 718     |
| 2009/10 | 7 897    | 1 008   |
| 2010/11 | 11 681   | 973     |
| 2011/12 | 9 942    | 1 091   |
| 2012/13 | 10 517   | 1 882   |
| 2013/14 | 10 992   | 1 998   |
| 2014/15 | 11 169   | 2 657   |
| 2015/16 | 11 151   | 3 542   |
| 2016/17 | 10 978   | 3 715   |

Service delivery protests are a serious problem in the South African context, as evidenced by the studies mentioned. In Section 2.2.3 the possible causes for these service delivery protests will be evaluated in more detail.

### 2.2.3 Causes for customer dissatisfaction protests

It is more probable that citizens will comply with laws and legislation when government entities provide basic services that are in line with what citizens expect. Tax collection laws are particularly important, as it reinforces a symbiotic relationship between a government and its people. The people pay taxes and the government provides basic services to the people (McLoughlin, 2014).

According to Netswera and Kgalane (2014) communities are more impatient now than they were under the apartheid system because they feel that government should have their best interests at heart, which was not the case before 1994.

A study that focussed on four areas prone to service delivery protests, namely: Balfour in Mpumalanga, Thokoza in Gauteng, Diepsloot in Gauteng and Thandakukhanya in Mpumalanga was done by Sinwell *et al.* (2009). The study highlights the following causes for service delivery protests:

- In general, protests only occurred after unsuccessful attempts by community members to engage with local authorities over issues of service delivery;
- Police brutality contributed to the violence, rather than the protesters being solely responsible; and



- Xenophobic attitudes are widespread, however the protests have been primarily directed at service delivery issues;
- High levels of unemployment and a lack of basic services including water, sewage systems, street lighting, paved roads as well as adequate and appropriate housing is usually present;
- Political divisions play a role in producing frustrations among the protesters;
- Protesters felt that there is a lack of communication and accountability at various levels of local government; and
- Service delivery protests will remain part of South Africa as long as people do not have access to basic services and are unable to find effective channels through which to express their demands.

A lack of planning and communication between stakeholders, along with poor strategy execution, is regarded as prominent hurdles to the proper functioning of local government. Incompetence and a lack of political will is frequently cited as a contributing factor to poor strategy execution (Mathekga and Buccus, 2006; Sinwell *et al.*, 2009; Manala, 2010; Bond and Mottiar, 2013; Nembambula, 2014).

South Africa has one of the highest levels of unemployment in the world. In the third quarter of 2016 the official number from Statistics South Africa was an unemployment rate of 27,1% (Statistics South Africa, 2016). The unemployment rate increased to 27,7% in the first quarter of 2017, pushing the numbers to a high last seen in September 2003 (Statistics South Africa, 2017). The high levels of unemployment along with the lack of service delivery leave protesters feeling that democracy has not benefited the masses at all (Sinwell *et al.*, 2009; Manala, 2010).

Economist Mike Schussler claims that South Africa is the biggest welfare state in the world with a dependency ratio of three people to one taxpayer (Schussler, 2010).

In South Africa in 2003 there were 6 million social grant recipients and an unemployment rate of 43%, while only a small part of the population was bearing the tax burden (Visser, 2009). The population bearing the tax burden was delineated into the following three groups:

- The first group, consisted of about 4 million white citizens and 11 million black citizens, earning 88% of the total income;
- The second group, consisted of 15 million mainly black citizens, earning about 8% of the total income; and

- The third group, consisted mainly of 15 million black citizens, earning only 4% of the total income.

In 2008 a third of the population of South Africa was dependant on state grants for their basic needs, while the list of different social grants, subject to a means test, had grown to seven (Visser, 2009). The social grants are:

- An old age grant;
- A disability grant;
- A war veterans' grant;
- A foster grant to aid children with foster parents;
- A care dependency grant to aid disabled children under 18 years of age;
- A child support grant to aid children under 9 years of age; and
- A grant in aid as an additional grant for recipients of old age, disability or war veterans' grant who are unable to care for themselves.

The number of grant recipients in 2008 had grown to 12.5 million from 3 million people in 1997. 8 million children under the age of 14 years were recipients of grants in 2008 (Visser, 2009).

A survey done by the South African Institute of Race Relations (2017) showed that the number of people in South Africa receiving social grants increased from 3 993 133 in 2001 to 17 094 331 in 2016, an increase of 328% in 15 years. On the other hand the number of people employed increased from 12 494 000 to 15 545 000, an increase of only 24% in the same period.

Table 2.2 summarises the multiple causes for service delivery protests found in the literature.

**Table 2.2:** Causes for service delivery protests.

| Causes   | Cause group                    | Sources   |
|--|--------------------------------|---|
| High unemployment rate.<br>Class and race divisions.<br>Xenophobia.  | Economic.                      | Sinwell <i>et al.</i> (2009);<br>Manala (2010); Allan and Heese (2011);<br>Bond and Mottiar (2013); Netswera and Kgalane (2014);<br>Alexander <i>et al.</i> (2016); Lancaster (2016). |
| Lack of planning.<br>Poor strategy execution.<br>Incompetence.<br>Lack of political will.<br>Lack of accountability.<br>Service delivery inefficiencies and ineffectiveness.<br>Police brutality.<br>Poor infrastructure.<br>High levels of corruption.  | Strategy or execution failure. |   |
| Distrust of local government institutions.<br>Unrealised expectations and growing impatience.<br>Lack of access to information.<br>Inadequate communication, feedback and responses regarding community issues.<br>Public servants that are disengaged or unhelpful.<br>Negative perceptions about government regarding maladministration, fraud and corruption. | Failure in communication.      |   |

Some of these causes can be viewed as part of two or more cause groups or as part of another cause group altogether. However, the causes have been grouped according to what is mentioned in the corresponding studies, for instance Bond and Mottiar (2013) group xenophobia along with unemployment and class and race divisions because it is often the feeling among protesters that jobs and economic opportunities are being taken by foreigners.

## 2.3 Chapter conclusion

Chapter 2 explains, by means of a review of the available literature, the phenomenon of customer dissatisfaction protests as an effect of poor governance combined with poor expectation management.

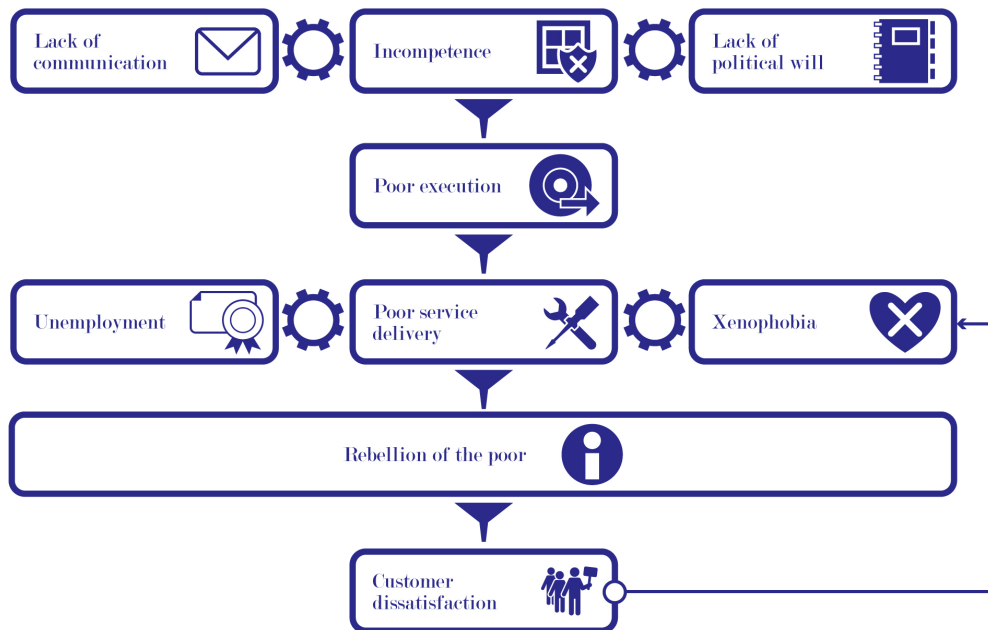
The purpose of this chapter was to address, in part, SO1 and RQ1, which asked: What is the nature and extent of customer dissatisfaction protests at local government level?

The literature reviewed allowed for a better understanding of the causes and characteristics of customer dissatisfaction protests which, in turn, allows for initial inferences to be made that will inform the necessary requirements for a conceptual framework that will successfully enhance budget transparency. The main observations made in response to RQ1 include:

- The occurrence of service delivery protests only after unsuccessful attempts by community members to engage with local authorities over issues of service delivery. This points to the need for improved communication between government and citizens;
- Lack of political will, poor management and incompetence contribute to poor budget execution by local government. This could indicate a need to ensure the competence of staff and provide relevant incentives and support for local stakeholders and staff;
- Lack of accountability contributes to dissatisfaction which means measures that improve transparent local governance (including the budgeting process) are crucial; and
- Protesters feel marginalised, indicating a need for a more participatory budget process.

Figure 2.2 illustrates the filtering down of the different elements that ultimately leads to the “Rebellion of the poor”.

**Figure 2.2:** The rebellion of the poor.



It would be impossible to address all the causes for service delivery protests as mentioned in Section 2.2.3 within the scope of this document. However, what becomes clear from the available literature is that the lack of communication within government entities and between government and the citizens of South Africa is one of the causes and a major contributing factor to most of the other causes. The aim of this study is to develop a framework that communicates the effectiveness and efficiency of local government budget expenditure back to the citizens.

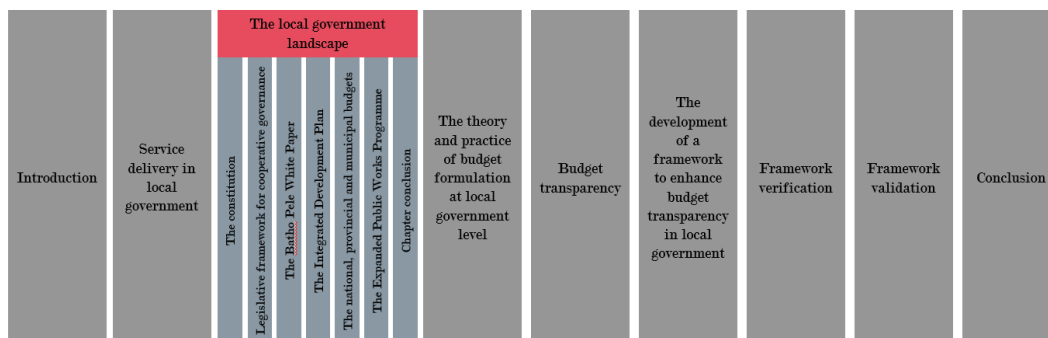
The first step in creating this framework is to understand the functioning of local government within the broader framework created by the national legislature. Local government in South Africa is discussed in more detail in Chapter 3.

## Chapter 3

# The local government landscape

“By die suidpunt by die see.  
Leef ons afgesonder.”

— Fokofpolisiekar -  
Afgesonder



Chapter 3 provides an overview of the various legislative frameworks that regulate local government in South Africa in order to identify current shortcomings in the implementation thereof, as illustrated in Chapter 2.

The aim of this chapter is to answer RQ2, which asks: What does the government landscape entail, along with co-operative governance? RQ2 goes hand in hand with RQ1 to address SO2 - to define and contextualise the current state of service delivery as a function of local government in South Africa (Table 1.1). Chapter 3 is also where the first requirements for the framework are identified.

According to Pretorius and Schurink (2007), local government in South Africa operates within a legislative framework that includes the following policies and regulations:

- The Constitution of the Republic of South Africa, 1996 (the Constitution);
- Intergovernmental relations;
- The Batho Pele White Paper - White Paper on Transforming Public Service Delivery;
- The Integrated Development Plan and the Performance Management System;
- The national, provincial and municipal budgets;
- The Expanded Public Works Programme (EPWP); and
- Policies and their related procedures.

The Constitution also calls for cooperation between levels of government and the legislative framework for this is explored in this chapter. Various policies and regulations that give effect to the Constitution are presented to further detail the context of the study and provide background to the functioning of local government within the broader framework created by the national legislature.

This chapter further provides the literature through which some of the first requirements for the conceptual framework to enhance budget transparency can be gathered (Section 1.5) as stipulated by SO4 (Table 1.1).

The Constitution of South Africa is the supreme law of the country of South Africa. It provides the legal foundation for the existence of the republic, sets out the rights and duties of its citizens, and defines the structure of the government, including the provinces and local government structures. The Constitution, with a focus on these structures, is discussed in Section 3.1.

The different structures of government enables the functioning and implementation of services to occur through a decentralised system. Avoiding the duplication of functions and enabling coordination is paramount. The legislative framework for cooperative governance between the different spheres of government is discussed in Section 3.2.

The Batho Pele White Paper was first introduced in 1995 to guide and improve service delivery in South Africa and is discussed in Section 3.3. The Batho Pele principles are enforced through the Integrated Development Plan (IDP) and the Performance Management System, explained in Section 3.4.

The national, provincial and municipal budgets are the primary mechanism to try and ensure that spending does not exceed income and is discussed in Section 3.5. This may be a difficult feat when spending is necessary to increase growth for job creation. Programmes like the EPWP are used as ways to create jobs in South Africa and is discussed in Section 3.6.

## 3.1 The Constitution

The Republic of South Africa has a parliamentary system that operates at both national and provincial level with all bodies of government adhering to the supreme rule of law, the Constitution. The implementation of the separation of powers in government results in a legislative authority, judicial authority and executive authority at a national and provincial level.

According to van Heerden (2009) a commonality of constitutional systems is the division of authority between three institutions within the state. The Constitution prescribes the institutions and their functions:

- The legislative authority is vested in Parliament and has the function to enact national legislation in accordance with constitutional principles;
- The judicial authority is vested in the courts, functions impartially, and is subject only to the Constitution and to law; and
- The executive authority is vested in the President. The President exercises this executive authority with other members of the Cabinet. The main task of the executive is to make policy decisions, ensure the observance of the Constitution, and to ensure that laws passed by the legislature are implemented and enforced.

The burden of service delivery ultimately rests with the president of South Africa as the executive authority. The executive authority delegates this responsibility by creating public institutions, such as government departments, with a cabinet minister as the political head of a department. The executive and public institutions must ensure that all public activities are exercised in line with constitutional requirements (Parliament of the Republic of South Africa, 1996; van Heerden, 2009).

The Constitution is the highest law in South Africa and provides the basis for all regulations and subsequent frameworks. The constitution also prescribes the provinces of South Africa as divisions of national government (Parliament of the Republic of South Africa, 1996).



The focus of Section 3.1.1 is the levels of government, with the Constitution of South Africa and the separation of powers<sup>1</sup> the main reference for governance at a national and provincial level. In Section 3.1.2 some insights into the functioning of local government in South Africa is presented.

### 3.1.1 The levels of government in South Africa

The separation of powers between the legislature, executive and judiciary with suitable checks and balances to guarantee accountability, transparency and honesty is contained in the Constitution. Three chapters in the Constitution handle the separation of powers (Kraai *et al.*, 2017). The three chapters are:

- Chapter 4 confers explicit functions and powers to the legislature;
- Chapter 5 describes the president and national executive; and
- Chapter 8 is dedicated to the courts and administration of justice.

The objective of the separation of powers between the executive, legislature and judiciary is to circumvent the exploitation of authority (Kraai *et al.*, 2017). Further separation of powers takes place according to boundaries and the Constitution makes provision for three spheres of government in South Africa:

- National government;
- Provincial government; and
- Local government;

To enable decentralisation of government, the Constitution states that the Republic of South Africa has the following nine provinces with their own legislatures and executives:

- Eastern Cape;
- Free State;
- Gauteng;
- KwaZulu - Natal;
- Northern Cape;
- Limpopo;
- North West; and

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<sup>1</sup>“Trias Politica”, first mentioned by Aristotle and implemented in the city-states of Ancient Greece, refers to the separation of state powers into three spheres.

- Western Cape.

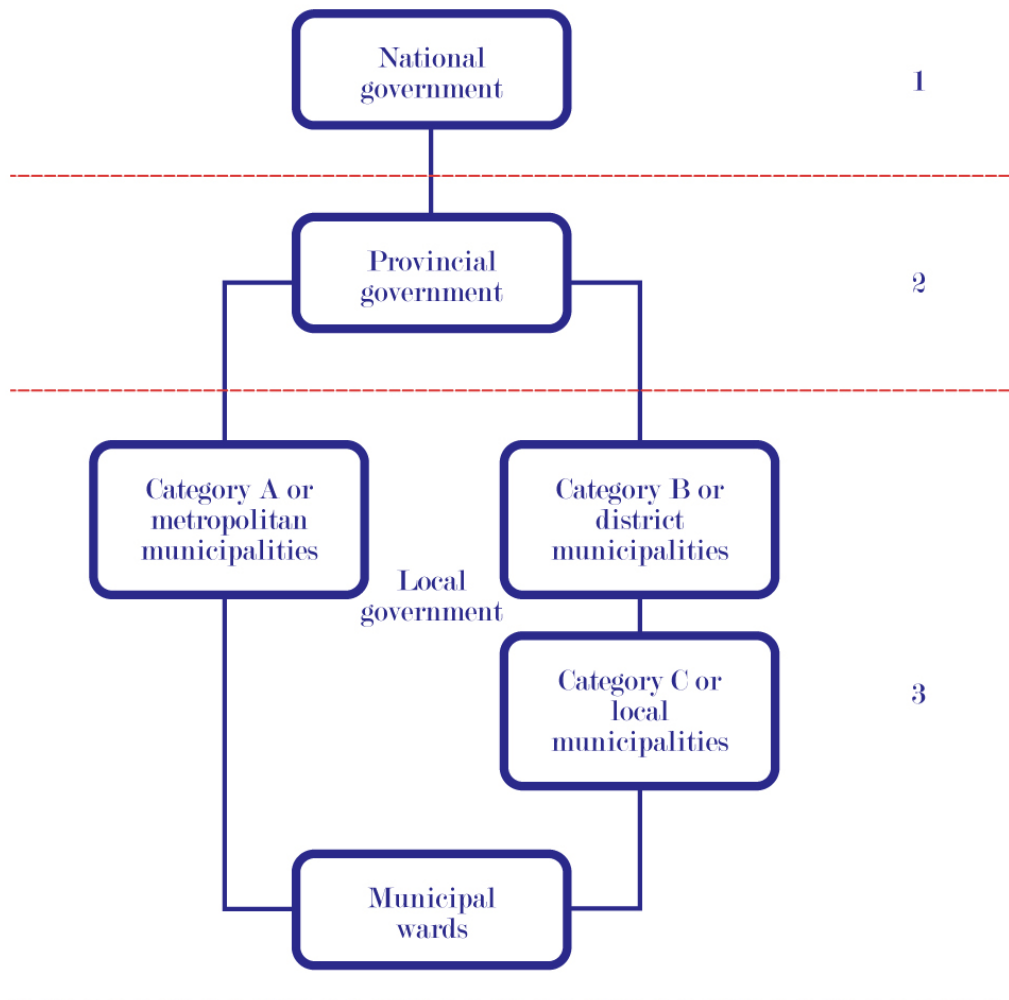
The Constitution obliges government to perform public administration in an effective and efficient way. Public administration should occur in terms of particular constitutional prescriptions and the Bill of Rights. Section 195 of the Constitution demands that government activities should be transparent, responsible and accountable, and be performed by honest officials (Parliament of the Republic of South Africa, 1996). Therefore, the Constitution provides the first requirement of the framework:

**Requirement 1: Government activities should be transparent, responsible and accountable, and be performed by honest officials as demanded by Section 195 of the Constitution (Parliament of the Republic of South Africa, 1996).**

The different levels of local government tasked with executing the services and public administration required by the Constitution and the Bill of Human Rights are detailed in Section 3.1.2

### 3.1.2 Local government

The term local government refers to the three different kinds of municipalities in South Africa and will therefore be used interchangeably in this document. Figure 3.1 is the result of expanding the government landscape to include the three local government spheres.

**Figure 3.1:** The spheres of government, including local government, in South Africa.

Adapted from Tibane (2014).

At the local government level, the burden of service delivery lies with three different kinds of municipalities:

- Category A or metropolitan municipalities. There are six metropolitan municipalities in South Africa with more than 500 000 voters in each. Metropolitan municipalities are completely distinct from local or district municipalities;
- Category B or local municipalities. There are 231 local municipalities in South Africa. Local municipalities are often directly associated to towns and cities that are not part of metropolitan municipalities; and

- Category C or district municipalities. Three to six local municipalities are grouped together under a district municipality. There are 47 district municipalities in South Africa that coordinate and assist development and service delivery between local municipalities. Citizens who live in low population areas, like wildlife and game parks, fall under district municipalities.

Msibi and Penzhorn (2010) and Tibane (2014) state that all local services and development are undertaken by metropolitan municipalities, while local and district municipalities share the burden. Msibi and Penzhorn (2010) emphasises that all municipalities have the responsibility to foster and drive development at local government level as it is often referred to as the “sphere of government that is closest to the people”. Municipalities are responsible for the following functions:

- Electricity delivery;
- Sewage and sanitation;
- Waste management and refuse removal;
- Health services;
- Roads;
- Street trading;
- Parks and recreational areas;
- Local tourism;
- Water for household use;
- Storm water systems;
- Fire fighting services;
- Decisions around land use;
- Public transport; and
- Abattoirs, fresh food markets, libraries and other facilities.

Local government is responsible for the provision of services to the community through accountable and sustainable methods. Ward councillors, as elected by their respective communities, are expected to play a political role in representing residents and other stakeholders. Ward councillors ultimately provide the political linkage between the municipality and the community.

(South African Local Government Association, 2011)

Municipalities must also promote social and economic development and encourage the community to be involved with the issues that affect them. The aim of encouraging local community involvement is to ensure that services and issues can be prioritised by the community as the beneficiaries (Nembambula, 2014; Duvenhage and Venter, 2009). This forms one of the fundamental requirements for a budget framework that aims to address customer dissatisfaction:

**Requirement 2: Municipalities must promote social and economic development and encourage the community to be involved with the issues that affect them (Nembambula, 2014; Duvenhage and Venter, 2009).**

The Constitution of the Republic of South Africa outlines a framework for cooperation between the spheres of government. A set of principles around the manner and quality of interaction between spheres of government is provided for in Chapter Three and is inseparable from the Bill of Rights contained in Chapter Two of the Constitution. The Bill of Rights outlines the basic human rights with regards to the following aspects:

- Equality;
- Human dignity;
- Life;
- Freedom and security;
- Slavery, servitude and forced labour;
- Freedom of religion, belief and opinion;
- Freedom of expression;
- Assembly, demonstration, picket and petition;
- Political rights;
- Citizenship;
- Freedom of movement and residence;
- Freedom of trade, occupation and profession;
- Labour relations;
- Environment;

- Property;
- Housing;
- Healthcare, food, water and social security;
- Children;
- Education;
- Language and culture;
- Cultural, religious and linguistic communities;
- Access to information;
- Just administrative action;
- Access to courts; and
- Arrested, detained and accused persons.

The high level of decentralisation in all levels of government in South Africa needs to be managed and the duplication of work is to be avoided to minimise costs. The legislation that creates a framework for cooperative governance is discussed in Section 3.2. The Intergovernmental Relations Framework Act, used to enact governmental policies, is discussed in more detail in Section 3.2.1. Lastly, an overview of information sharing and consultation in local government is presented in 3.2.2.

## 3.2 Legislative framework for cooperative governance

National intergovernmental forums have been established for various monitoring and oversight roles. These roles, according to Van Der Walddt (2012), include:

- Discussing matters of national interest within a specific functional area with provinces;
- Performance measurement in order to detect failures and to propose preventative or corrective action;
- The coordination and alignment of strategic and performance plans;
- The prioritisation of strategies and objectives across national, provincial and local governments; and

- Reporting to the President's Coordinating Council.

The alignment of policy, planning and budgeting processes across the three spheres of government are extremely important and form the basis for local integrated development plans (IDP). Local government stresses that sustainable development can only occur through proper consultation and information sharing between the three spheres of government, especially when financial matters are involved (Van Der Walddt, 2012).

Malan (2005) states that various pieces of the current legislative framework for cooperative governance have been created since 1994. The relevant pieces of legislation are summarised in Table 3.1.

**Table 3.1:** The legislative framework for cooperative governance.

| <b>Policy Aim</b>   | <b>Implication</b>  |
|---|---|
| White paper on Reconstruction and Development, 1994.  | Describes a local government system that encourages cooperation between the spheres of local government.      |
| Development Facilitation Act 67 of 1997.  | Describes a framework for land development cooperation between the spheres of local government.               |
| Auditor-General Act 12 of 1995; South African Qualifications Framework; National Water Services Act 108 of 1997; Rural Development Strategy, White Paper on Transforming Public Service Delivery, 1997; National Environmental Management Act 107 of 1998; Skills Development Act 97 of 1998; White Paper on Municipal Service Partnerships, 2000, etc. | Describes a framework for planning, development and service delivery between the spheres of local government. |
| Constitution of the Republic of South Africa 108 of 1998.   | Chapter Three contains the principles of cooperative governance.  |
| Organised Local Government Act 52 of 1997.  | Describes the oversight roles between the spheres of local government.  |
| Financial Fiscal Commission Act 99 of 1997 and Intergovernmental Fiscal Relations Act 97 of 1997.   | Establishes the fiscal relations between the spheres of local government.                                     |

| Policy Aim  | Implication  |
|---|--|
| Division of Revenue Act, occurring every financial year.  | Promotes transparency of fund allocation to the different spheres of local government.   |
| White Paper on Local Government, 1998.  | Supports and promotes intergovernmental relations.   |
| Municipal Demarcation Act 27 of 1998; Local Government Municipal Structures Act 117 of 1998 and Municipal Systems Act 32 of 2000. | A formalisation of the roles and responsibilities of the different spheres of local government.  |
| Municipal Finance Management Act 56 of 2003 and Public Finance Management Act 1 of 1999.  | Describes the fiscal oversight roles between the spheres of local government and encourages accountability.  |
| Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005).   | Describes a framework for the establishment of oversight structures with the president as the top authority and allows for litigation between the spheres of government. |
| Division of Revenue Act, occurring every financial year.  | Promotes transparency of fund allocation to the different spheres of local government.   |

Adapted from Malan (2005).

The Intergovernmental Relations Framework Act aims to establish a framework for the national government, provincial governments and local governments to promote and facilitate intergovernmental relations (Republic of South Africa, 2005). The Intergovernmental Relations Framework Act is discussed in more detail in Section 3.2.1.

### 3.2.1 The Intergovernmental Relations Framework Act

The political and economic landscape and the role of government in South Africa has resulted in a degree of decentralisation of fiscal and administrative processes. Cooperative governance, or intergovernmental relations, refer to all interdependent bilateral and multilateral relations between the different spheres of government. The success of such a system is dependent on the clear division of responsibilities and accountability between all three spheres of government (Van Der Walddt, 2012).

Van Der Walddt (2012) states that intergovernmental relations, as contained in the Intergovernmental Relations Framework Act, Act 13 of 2005, oversees all the complex and interdependent bilateral and multilateral relations between



the different spheres of government. Act 13 of 2005 was specifically created to give rise to Article 41 of the Constitution. It also covers the following aspects:

- Coordination of public policies and cooperative governance;
- Requirements which must be reported on;
- Efficient provision of services and grants;
- The planning and budgeting process and formal communication among officials, including the monitoring and implementation of policies and legislation; and
- The achievement of national priorities through the fiscal and administrative processes, whereby funds and other resources are allocated to the various spheres of government.

Laws and legislation provide the principles for a cooperative state with three different, yet interrelated, spheres of government. The three spheres of government have a duty to the other spheres to empower, monitor and intervene, if necessary. Section 41 of the Constitution states that The Parliament of South Africa must establish or provide for processes, structures and institutions to promote and facilitate intergovernmental relations and provide for appropriate mechanisms and procedures to facilitate settlement of intergovernmental disputes. A cooperative government has six main requirements from all state institutions. These objectives are:

- National policy goals with clear objectives need to be achieved;
- Cost-effective and sustainable services, that are accessible and in line with the needs of the community, need to be provided;
- All state institutions need to be made aware of their respective areas of accountability and responsibility;
- Rural areas with poor capacity have to be overseen by district municipalities directly, to spread the burden of service delivery between municipalities;
- A strengthening of collaboration and partnerships between government spheres; and
- Avoidance of wasteful expenditure and duplication of abilities.

Although the Act makes a significant contribution to facilitate co-operative government, it does not expressly provide for the integration and coordination of the services to be provided by the three spheres of government. Furthermore,

the Act does not emphasise the importance of monitoring the progress of service delivery of the three spheres. The provinces of South Africa should develop early warning systems to strengthen their monitoring roles (Van Der Walddt, 2012).

The Intergovernmental Relations Framework Act sets a third requirement for an effective budget framework: the achievement of national priorities through fiscal and administrative processes with the support and collaboration of different government spheres. Therefore, providing the third requirement for the framework:

**Requirement 3: A budget framework that enhances transparency must achieve national priorities through fiscal and administrative processes (Republic of South Africa, 2005).**

In terms of Sections 154 and 155 of the Constitution, provincial supervision - the monitoring and support of local government - is a constitutional obligation. As a last resort, provinces may intervene in a municipality within their jurisdiction (Article 139 of the Constitution). Van Der Walddt (2012) states that the most common reasons for Section 139 interventions fall into three broad categories:

- Weak government, which may include political infighting, conflict and poor human resource management;
- Financial issues, inadequate revenue collection, inefficient financial systems, fraud and misuse of municipal assets; and
- Issues with service delivery; particularly issues relating to the violation of Articles 152 and 153 of the Constitution.

Mathekga and Buccus (2006) states that the biggest hurdles to the proper functioning of local government are:

- Failure to execute strategies;
- A lack of skills;
- A lack of community participation; and
- A lack of communication between government and citizens.

The hurdles to the proper functioning of local government corresponds with the causes for customer dissatisfaction protests detailed in Chapter 2. The causes for these protests are grouped as economic, strategy or execution failure, and failure in communication.

Guidelines for acceptable levels of communication are provided for in the Constitution of South Africa. The Constitution states that the public must participate in policy decision making processes and that public administration should make information of an accurate nature available to the public in a timely and accessible nature (Parliament of the Republic of South Africa, 1996).

The lack of communication is therefore not only an issue between government and citizens, but also between different spheres of government. Information sharing and cooperation between the different spheres of government is vitally important and required by the Constitution of South Africa. Section 3.2.2 provides an overview of information sharing and consultation in local government.

### 3.2.2 Information sharing and consultation

Chapter Three of the Constitution states that consultation is required between the different spheres of government when matters of common interest are considered by any of the spheres. Consultation is based on the sharing and exchange of information by government entities and can take place via conferences and seminars or via more informal means such as e-mail, telephone conversations or meetings (Parliament of the Republic of South Africa, 1996).

Information sharing between government entities aid government in the setting, execution and monitoring of development goals. Sustainable development can be prioritised by government after a monitoring system and process is stable (Van Der Waladt, 2012).

Mayedwa (2010) states that despite the legislative framework for cooperative governance, crippling problems still exist:

- Communication systems between the different spheres are fragmented and do not provide consistency in optimising both efficiency and effectiveness in core processes and decision capabilities;
- Departments operate in silos and do not communicate or consult with one another on matters of mutual interest;
- The current communication systems have not sufficiently provided the effective, transparent, accountable and coherent government spheres as required by Chapter Three of the Constitution;
- The spheres of government have limited channels or platforms to engage with one another;

- The lack of platforms for communication and interaction have led to other escalating problems such as the weak entrenchment of good governance and cooperative governance; and
- The failure of initiatives because of fragmented interaction between spheres of government.

No sphere of government can function effectively without co-operation from other spheres because of the inter-dependency and inter-relatedness of some governmental functions. Limited resources, poor economic conditions as well as pressure from citizens add to the complexity (Van Der Walddt, 2012).

Community participation and communication between government and the citizens of South Africa is required by Section 152 of the Constitution and states that municipalities must include communities in the affairs of the municipality (Parliament of the Republic of South Africa, 1996; Department of Public Service and Administration, 1997; Nelson, 2016).

Msibi and Penzhorn (2010) detail the legislation that governs local government communication with citizens. The relevant pieces of legislation are summarised in Table 3.2.

**Table 3.2:** Local government communication with citizens.

| Legislation  | Aim  |
|--|--|
| Chapter 7, Section 152 of the Constitution of the Republic of South Africa (Parliament of the Republic of South Africa, 1996). | Explains citizen participation in local government.  |
| Chapter 2, Section 19 of the Local Government Municipal Structures Act (Republic of South Africa, 1998).                       | Requires local government to achieve the objectives as set out in the Constitution and outlines the citizen participation system that should exist in local governments.               |
| The White Paper on Local Government (Department of Public Service and Administration, 1998).                                   | Communities should be allowed to identify their needs, set performance indicators and targets and thereby hold local government accountable for their performance in service delivery. |
| Chapter 4 of the Local Government Municipal Systems Act (Republic of South Africa, 2000).                                      | Local government should develop a culture of municipal governance that enables dialogue and citizen participation.   |

| Legislation   | Aim   |
|---|---|
| The Local Government Municipal Finance Management Act (South Africa, 2004).   | The Act outlines ways in which the community can be informed on and involved in the financial issues and budgetary processes of local government, protecting accountability and transparency.             |
| The Batho Pele White Paper (Department of Public Service and Administration, 1997).   | Encourages citizen participation and promotes a responsive local government.  |
| The Guidelines for the Establishment and Operation of Municipal Ward Committees (Ministry for provincial and local government, 2005). | Provides guidelines on the establishment of ward committees as a structure responsible for facilitating democracy, participation and structured communication between local government and the community. |

Adapted from Msibi and Penzhorn (2010).

Legislation that governs local government communication with citizens makes clear several requirements regarding communication for a conceptual framework that enhances budget transparency and that it should entail citizen participation and the development of structures and a culture that enables dialogue and engagement. Therefore, providing the fourth requirement of the framework:

**Requirement 4: Citizen participation and the development of structures and a culture that enables dialogue and engagement.**

The Batho Pele White Paper has accountability and transparency as one of its transformation priorities and is discussed in more detail in Section 3.3.

### 3.3 The Batho Pele White Paper

Batho Pele is a Sotho expression meaning “People First”. The Batho Pele White Paper, adopted by the South African government in 1995, notes that only through the active participation of the wider community can a service-orientated culture in municipalities be obtained (Department of Public Service and Administration, 1997). The Batho Pele White Paper outlines the following eight transformation priorities:

- Consultation - Consultation with citizens around the quality of public services should occur;

- Service standards - Citizens should be made aware of the level and quality of the services to set expectations;
- Access - All citizens should have equal access to services;
- Courtesy - Citizens should be treated with courtesy;
- Information - Full and accurate information should be available;
- Openness and transparency - The running of government entities should be open and transparent;
- Redress - Complaints should be attended to and remedied effectively; and
- Value for money - Services should be provided in an economic and efficient manner.

Mofolo and Smith (2009) state that the impatience of citizens and the subsequent protests are due, at least partially, to the failures of municipalities to implement the transformation principles of the Batho Pele White Paper. The implementation of these principles demand that municipalities should be flexible, innovative and proactive and function as an effective organisation for public service delivery.

A key requirement identified by the Batho Pele White Paper (1997) for a conceptual framework for a more effective budget that addresses customer dissatisfaction, is openness and transparency. This gives effect to Section 195 of the Constitution, which demands municipalities to execute their duties in an open and transparent way (Parliament of the Republic of South Africa, 1996).

The Integrated Development Plan (IDP) and the Performance Management System is one way to force municipalities to adopt the Batho Pele principles, while also relying on key performance indicators to measure the success of the implementation. The IDP and the Performance Management System is discussed in more detail in Section 3.4

### **3.4 The Integrated Development Plan and the Performance Management System**

The Integrated Development Plan (IDP) and the Performance Management System is documented by the White Paper on Local Government (1998) as the policy document for performance management systems in local government, while the Municipal Systems Act, Act 32 of 2000, is the legislative requirement

used to enforce the policy (Department of Public Service and Administration, 1998; Department of Provincial and Local Government, 2001).

Act 32 of 2000 is the legislation used by government to enforce the policies and procedures discussed in Chapter 3. The Act dictates that municipalities must adopt a performance management system and, at the same time, ensure community involvement with setting performance measures. The Municipal Systems Act describes a performance management system in municipalities as a framework that represents how the cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including the determination of the roles of different stakeholders. This forms another key requirement for a framework that enhances budget transparency:

**Requirement 5: A performance management system must be adopted that ensures community involvement with setting performance measures (Municipal Systems Act, 2000).**

The performance measures must include input, output and outcome measures. The performance measures must be measurable, objective, relevant and precise and also be reviewed annually (Mufamadi, 2001).

Act 32 of 2000 prescribes the following performance measures:

- The percentage of households with access to a basic level of water, sanitation, electricity and solid waste removal;
- The percentage of households earning less than R1100 per month with access to free basic services;
- The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year;
- The number of jobs created through municipality's local, economic development initiatives, including capital projects;
- The number of people from employment equity target groups employed in the three highest levels of management;
- The percentage of a municipality's budget spent on implementing its workplace skills plan; and
- The financial viability of a municipality as expressed by the following ratios:

$$\text{Debt coverage} = \frac{\text{Total operating revenue received} - \text{Operating grants}}{\text{Debt service repayments}}$$

$$\text{Service debtors to revenue} = \frac{\text{Total outstanding service debtors}}{\text{Annual revenue received for services}}$$

$$\text{Cost coverage} = \frac{\text{Available cash} + \text{Investments}}{\text{Monthly fixed operating expenses}}$$

The Auditor-general is an institution that audits the expenditure of public funds to ensure the efficient and transparent use of resources. The Auditor-general's report on the Public Performance Management Act for the financial year 2014-2015 covered 167 national and provincial departments and 301 public entities. The report showed a slight improvement in unqualified financial audits, but these were still at a dismal rate of 28% of audits. The Auditor-general states in the report that reviewing and monitoring laws and legislation by leadership is needed (Auditor-General of South Africa, 2015).

The Auditor-general reported in 2015-2016 that only 19% of municipalities in South Africa obtained a clean audit report and municipalities with qualified opinions represented 57% of all municipalities in South Africa. Only one metropolitan municipality received a clean audit, the City of Cape Town. The Auditor-general called for leadership accountability to curb wasteful expenditure (Auditor-General of South Africa, 2017).

Pretorius and Schurink (2007) state that performance budgeting within the IDP planning framework is a tool to assist managers in the budgeting process and to obtain unqualified financial audits. Pretorius and Schurink (2007) adds that the budget handbook was developed in order for political office bearers and members of the administration to gain an understanding of the following:

- The reasons for budgeting;
- Incremental budgeting and its advantages and disadvantages;
- The change to performance budgeting;
- Key performance budgeting concepts;
- The micro prioritization process;
- The Medium-Term Expenditure Framework;
- Activity-based costing;
- Zero-based budgeting; and
- The Integration of strategic plans.

The national, provincial and municipal budgets are briefly presented in Section 3.5, while a more in depth presentation into budgeting techniques in the public sector can be found in Chapter 4.



## 3.5 The national, provincial and municipal budgets

The national, provincial and municipal budgets are documents that outline the revenues or income, mostly through taxation, and spending for a financial year. Government entities submit their budgets to the National Treasury and the National Treasury compiles the government budget that is presented by the Finance Minister to South Africa in a Budget Speech (National Treasury of South Africa, 2015).

The South African local government has pursued extensive reform to increase the standard of service delivery. An important component of this process is municipal budgetary reform, most prominently the Municipal Finance Management Act, Act 56 of 2003. The Municipal Finance Management Act (MFMA) aims to secure sound and sustainable management of the financial affairs of local government entities (South Africa, 2004; Graves and Dollery, 2009).

According to Graves and Dollery (2009) the MFMA demands the following aspects from a local government budget:

- Credibility - The numbers need to be correct and based on realistic foundations where estimates are used; and
- Sustainable - The strategy should be able to continue into the future without massive intervention through changes in tax rates or spending.

Graves and Dollery (2009) note that the lack of data capturing within local government makes it extremely difficult to determine the level of implementation or the success rate of legislation such as the MFMA.

Government initiatives and programmes outline a budget as part of the planning phase before implementation. The initial budget for the first phase of the Expanded Public Works Programme (EPWP) was R21 billion in 2004, but that number increased to R40.8 billion at the end of phase one in 2009. The EPWP is presented in Section 3.6, while budgeting in general and budgeting techniques in the public sector is discussed in more detail in Chapter 4.

## 3.6 The Expanded Public Works Programme

Launched in 2004 as a two-phased approach with a target of creating one million work opportunities over a five-year period, the Expanded Public Works Programme (EPWP) is a government initiative to consolidate existing Public Works Programmes (PWP). A Public Works Programme (PWP) is an

attempt to absorb labour into the public sector by increasing expenditure on goods and service to create work opportunities. Projects may be temporary or permanent and be initiated by government, contractors or non-governmental institutions (Visser, 2009; Public Works, 2015).

The EPWP is part of the government of South Africa's strategy to reduce unemployment, along with increasing economic growth so that the number of net new jobs being created exceeds the number of new entrants into the labour market. The EPWP also aims to up-skill workers and improve qualifications, with a focus on able-bodied but unskilled adults (Phillips, 2004; Public Works, 2015).

The EPWP adds to government's policy priorities in terms of (Public Works, 2015):

- Decent work;
- Sustainable livelihoods;
- Education;
- Health;
- Rural development;
- Food security;
- Land reform; and
- The fight against crime and corruption.

The government of South Africa has admitted that PWPs will not solve the unemployment problem in South Africa. According to Meth (2011), the EPWP aims to achieve what similar programmes elsewhere could not.

PWPs are often criticised for involving fruitless activities such as digging holes and filling them back up again. A distinction must be made between economically efficient and inefficient PWPs. South Africa witnessed a number of inefficient programmes before 1994. The programmes provided temporary employment but were wasteful and did not result in the provision of quality services. A PWP must have the objective of providing good quality, needed services in a cost-effective manner. PWPs that do not result in the cost-effective delivery of quality public services put pressures on national, provincial and municipal budgets and are likely to be abandoned in favour of other more efficient means of delivering services. PWPs can only survive in a resource-constrained environment if they are economically efficient. (Phillips, 2004).

According to Meth (2011), the Department of Public Works (DPW) carried out a critical analysis of the EPWP in preparation for phase 2 of the programme. The following points regarding the infrastructure sector were made in a presentation dated 29 September 2008:

- Job targets are being met, but jobs are of short duration;
- The use of labour-intensive methods remains contentious;
- Competing priorities exist - Spending versus backlog eradication;
- Weak institutional processes, procedures and structures exist;
- Overall capacity constraints exist;
- Making a distinction between EPWP and non EPWP projects is difficult; and
- There are no incentives for organisations to increase labour.

The possibility to manipulate the results of the EPWP by being unable to distinguish between EPWP and non EPWP projects means that no reliable measurement of success exists (Meth, 2011).

The aforementioned sections in Chapter 3, provided rich content from which specific requirements could be identified in aid of a budget framework that enhances transparency. newline

In line with the systems engineering approach, discussed in Section 1.5, it is prudent to present the gathered requirements for the framework thus far. Individual requirements gathered have already been identified in the previous sections and Section 3.7 presents the requirements identified during the literature review thus far, in line with SO4.

### 3.7 Framework requirements

As the method used in this study leans heavily on a systems engineering approach, it is prudent at this point to present a compilation of the requirements gathered in this chapter for a conceptual framework as a first step to building such a framework.

Local government is highly regulated through various pieces of legislation as shown in Chapter 2 and Chapter 3. Nelson (2016) notes that legislation can be used as guidelines for decision-making that enables decisions to be tested, quantified and measured, often referred to as performance measurement or

management. This provides an opportunity to draw from the literature requirements that will improve the practical implementation of legislation when it comes to the conceptualisation of a framework that will enhance budget transparency.

The requirements must be aligned to the objectives of the research, the first part of which is to develop a conceptual framework to enhance budget transparency in local government with the aim of managing citizen expectations and reducing the occurrence of customer dissatisfaction protests (PO1).

The requirements identified in Chapter 3 are presented in Table 3.3.

**Table 3.3:** Framework requirements identified in Chapter 3.

| Requirement no. | Requirement  | Section  |
|-----------------|--|----------|
| R1              | Transparency, responsibility and accountability performed by honest officials as determined by Section 195 of the Constitution (Parliament of the Republic of South Africa, 1996; Batho Pele White Paper, 1997).   | 3.1; 3.3 |
| R2              | The promotion of social and economic development and the encouragement of community involvement with the issues that affect them (Nembambula, 2014; Duvenhage and Venter, 2009).   | 3.1      |
| R3              | The achievement of national priorities through fiscal and administrative processes as determined by the Intergovernmental Relations Framework Act (Republic of South Africa, 2005).  | 3.2.1    |
| R4              | Citizen participation and the development of structures and a culture that enables dialogue and engagement (White Paper on Local Government, 1998; Section 19 of Local Government Municipal Structures, 1998; Local Government Municipal Systems Act, 2000). | 3.2.2    |

| Requirement no. | Requirement   | Section |
|-----------------|---|---------|
| R5              | A performance management system must be adopted that ensures community involvement with setting performance measures (Municipal Systems Act, 2000). | 3.4     |

A discussion on the objectives achieved in this chapter is presented in Section 3.8.

### 3.8 Chapter conclusion

The purpose of Chapter 3 was to give an overview of the various legislative frameworks that regulate local government in South Africa and identify requirements to be considered during the development of the framework to enhance budget transparency. The aim was to answer RQ2, which asked: What does the government landscape entail, including the legislative work for co-operative governance?

The research found that legislation and policies that regulate local government in South Africa stand in contrast to the expectations and lack of delivery on the promises made, discussed in Chapter 2. It seems that while the available legislation is excellent, the practical implementation thereof leaves much to be desired - evident by the rise of violent customer dissatisfaction protests. The apparent failure of strategy execution and a lack of skills have been cited as the biggest hurdles to the proper functioning of local government. The importance of community participation and communication between government and citizens on expenditure should also not be overlooked (Mathekga and Buccus, 2006).

The first requirements to develop a framework for budget transparency were collected as summarised in section 3.7 and in line with SO4: identifying the framework requirements. Transparency and accountability, citizen participation and the setting of performance measures, among others, were identified as key requirements in this budget framework.

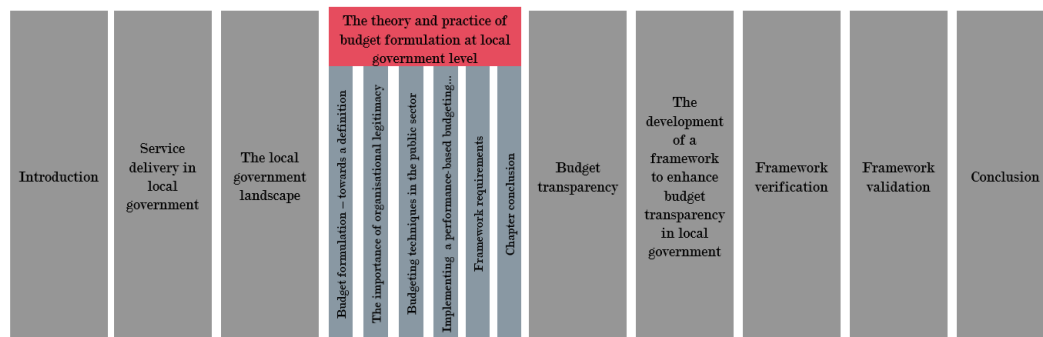
Budgets are annual activities where quantitative measures are used for planning, decision making and reporting. These qualities make the budgeting process an opportunity to implement performance measurement in local government and enhance communication to citizens in South Africa. Chapter 4 discusses measuring and communicating budget performance in more detail, while Chapter 5 is a discussion on transparency in local government with an emphasis on fiscal transparency.

## Chapter 4

# The theory and practice of budget formulation at local government level

“Die situasie verg groter  
aandag.”

— Van Coke Kartel -  
Bitterpil.



The purpose of Chapter 4 is to review the available literature on the theory and practice of budget formulation at local government level. The chapter introduces a definition of budget formulation, discusses the importance of organisational legitimacy, provides budgeting techniques used in the public sector and reviews the implementation of a performance-based budgeting framework.

The chapter aims to address SO2: evaluating best practice guidelines and frameworks budgeting methodology. To this end, it answers RQ3: What are the best practice guidelines and requirements for budgeting in local governments?

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It also responds to SO4: identifying the framework requirements, in this case, pertaining to budget formulation.

Sound financial management through capital investment decision making, such as budgeting, is critical to the survival and long-term success for any organisation. The budgeting process and the subsequent execution of decisions made are key to any management control system<sup>1</sup>. Placing emphasis on the budget of an organisation may help it to achieve its overall objectives (Ben-nouna *et al.*, 2010; Kung and Huang, 2013).

This chapter will do the following:

- Define budgeting and budget formulation;
- Discuss organisational legitimacy within the context of budgeting;
- Discuss budgeting techniques in general; and
- Discuss performance-based budgeting specifically.

Budget formulation and the definition of budgeting is presented in Section 4.1.

### 4.1 Budget formulation - towards a definition

A budget is a plan to quantify sales volumes and revenues, resource use, costs and expenses, asset valuation, liabilities and cash flows over a certain period of time. A budget can simply be referred to as a quantitative economic plan over a period of time (Ross, 2008; Pidgeon, 2010).

According to Marti (2006) and Pidgeon (2010) budgets may be created for an entire organisation or for departments, products, teams or business units. Budgeting is most commonly associated with finances, but budgets can also refer to non-cash resources like time. All types of organisations can benefit from using budgets to plan, control, support and execute daily operations or long-term strategies. Budgets can be used to measure the performance of an entire organisation or specific individuals by using the budget as a plan or benchmark. In general budgets fulfil one or more of the following goals within an organisation:

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<sup>1</sup>Robert Anthony (1965) defined management control as a process to ensure that resources in an organisation are obtained and used efficiently and effectively towards the accomplishment of goals. Lowe (1971) expanded the definition to include accountability and feedback from stakeholders in a system of information gathering. The information is then used to track the achievement of goals and make corrections where necessary (Otley, 1994; Otley *et al.*, 1995; Stimie and Vlok, 2015).

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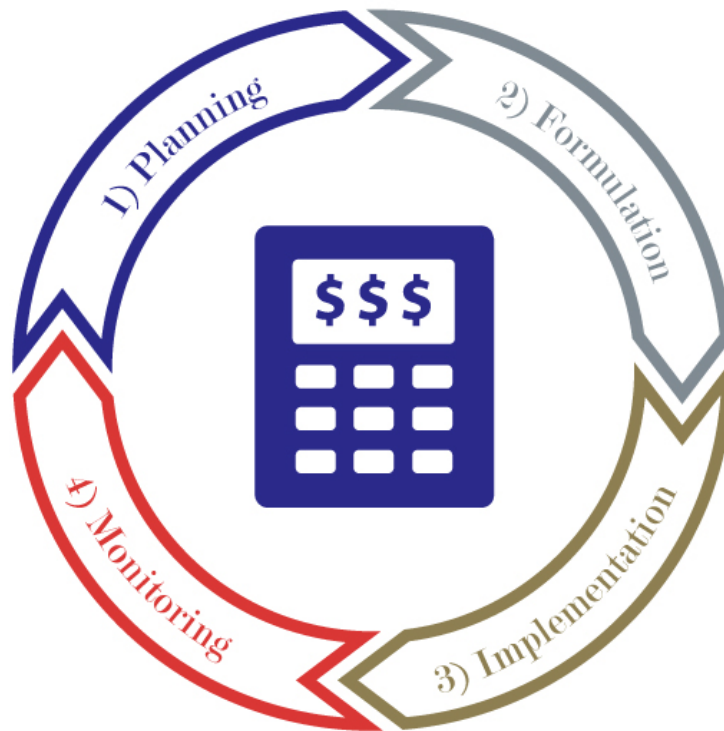
- Mapping - Budgets can be used to set out an organisation's goals and the steps needed to achieve these goals;
- Control - Budgets can be used to control the daily functioning of an organisation;
- Coordination - Budgets can be used to coordinate business units or departments and avoid duplication of work;
- Communication - Budgets can be used to inform personnel or the public about an organisation's goals and objectives;
- Instructions - Budgets can be seen as instruction on the framework of operations and the longer term objectives;
- Authorisation - Budgets can be used as a framework for making expenditure decisions;
- Motivation - Budgets can be used to set performance targets;
- Performance measurement - Budgets can be seen as benchmarks for the performance of an organisation; and
- Decision making - Budgets can be used as a tool to evaluate the effects of certain decisions on income or expenses.

Budgets in local government follow a pattern that coincides with events in a financial year<sup>2</sup> A typical budget cycle is depicted in Figure 4.1.

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<sup>2</sup>A financial year is used for taxing or accounting purposes and runs from the first of March to the end of February the following year in South African government organisations.



**Figure 4.1:** A typical budget cycle.Adapted from van der Westhuizen *et al.* (2017).

The typical budget cycle has four phases that run in a cycle, which can run concurrently where necessary. The four phases and their major focus are detailed in Table 4.1.

**Table 4.1:** A typical budget cycle.

| Phase     | Major focus   |
|-----------|---|
| Planning. | The needs of citizens are considered, prioritised and decisions are made on how to address the needs in the coming financial year. Commitments for the current financial year needs to be carried over to the new financial year and also needs to be considered during this phase. |

| Phase           | Major focus  |
|-----------------|--|
| Formulation.    | The budget is developed based on the decisions made during planning, including the amount of income needed to balance the planned expenditure. The budget is approved at the end of the formulation phase.   |
| Implementation. | The approved budget is implemented from the start of the financial year to the end as an on going process. Implementation entails the financial expenditure on projects and services as detailed during the planning and formulation phase.  |
| Monitoring.     | In order to ensure effective and efficient expenditure an organisation must monitor its progress and spending against the stipulated plan and correct where necessary. Monitoring systems need to be in place to verify and track progress on projects and to ensure that expenditure is in line with revenue. |

Adapted from van der Westhuizen *et al.* (2017).

According to Van der Stede (2003), the budget functions as a communication buffer and an organisation's operations can be improved by coordinating budgetary communication. Communication throughout the budgeting process can enhance the overall efficiency of an organisation.

Budgetary participation and objective communication can increase acceptance of budgetary objectives and the value of achieving those objectives, thereby enhancing management performance. The sharing of knowledge between stakeholders in an organisation promotes the flow and effective use of information, thereby aiding organisational legitimacy. (Brownell and McInness, 1986; Kung and Huang, 2013).

Organisational legitimacy and its importance to budgeting in the public sector is discussed in Section 4.2.

## 4.2 The importance of organisational legitimacy

Organisational legitimacy is referred to as “a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within socially constructed norms, beliefs, and values” (Suchman, 1995; Harris, 2008; Luke *et al.*, 2013).

An organisation needs internal as well as external legitimacy. Organisations often fail because they have lost external legitimacy with key stakeholders, especially resource providers. A legitimate local government is paramount and legitimacy is required in relation to the parliament and also in relation to its citizens, clients, and other stakeholders, such as the mass media. Performance management systems are able to assist organisations to attain greater economic efficiency, but also increases its legitimacy (Dooren and Walle, 2008; Dooren *et al.*, 2010; Grossi *et al.*, 2016).

According to Luke *et al.* (2013) organisational legitimacy is key to balancing the expectations and demands of stakeholders with the performance of an organisation. The effective communication of the performance of local government, along with the budgetary constraints it faces, is the first step to addressing some of the factors contributing to the “Rebellion of the poor” discussed in Section 2.2.

A higher degree of fiscal and budgetary transparency is associated with lower public debt and deficits (Alt and Lassen, 2006; Heald, 2012).

Budgets can be created by using different budgeting techniques, the most prominent of which includes incremental, zero-based, accrual, performance and participatory budgeting. These budgeting techniques are discussed in the context of the public sector in Section 4.3 before the implementation of a performance-based budgeting process is presented in Section 4.4.

## 4.3 Budgeting techniques in the public sector

Section 4.3 provides a budgeting technique categorisation framework. The framework, as well as the section numbers for easy reference, is provided in Table 4.2.

**Table 4.2:** Budgeting techniques typology.

| Cash-based (Input)   | Accrual-based (Output)     |
|----------------------|----------------------------|
| 4.3.1 - Incremental. | 4.3.3 - Accrual.           |
| 4.3.2 - Zero-based.  | 4.3.4 - Participatory.     |
|                      | 4.3.5 - Performance-based. |

According to Marti (2006) and the Organisation for Economic Co-operation and Development (OECD)<sup>3</sup>, in OECD (2013), accrual-based and cash-based accounting and budgeting systems are often portrayed as opposing ends on a spectrum of possible methodologies. The concepts are delineated in the accounting and financial reporting context to illustrate the differences:

- The cash-based system records a transaction when the payment is received or when cash is paid or other resources are consumed; and
- The accrual-based system records a transaction when the activity or decision generating revenue or consuming resources takes place, ignoring the exact time when the associated cash is received or paid.

These concepts translate to input and output based budgeting systems. Traditional input-based budgeting systems are budgeting systems that focus on inputs and expenditure rather than outputs and outcomes. Budgeting systems that focus on outputs and outcomes are referred to as output-based budgeting systems (Marti, 2006; Hoek, 2005; Pidgeon, 2010).

The most notable input based budgeting techniques will be discussed in Section 4.3.1 and Section 4.3.2, while the most notable output based budgeting techniques will follow in Section 4.3.3, Section 4.3.4 and Section 4.3.5. The first input-based budgeting technique to be discussed is incremental budgeting in Section 4.3.1.

### 4.3.1 Input based: Incremental budgeting

Ross (2008) and Pidgeon (2010) states that incremental budgeting takes the current budget values before being adjusted for known factors that are present in the upcoming budgeting period. The adjustments are incremental and are usually relatively small percentage changes. There are a few key points that should be considered during incremental budgeting, including the base budget and other known factors that are relevant to organisations:

- The current budgeting period expenditure;

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<sup>3</sup>The Organisation for Economic Co-operation and Development (OECD) is an inter-governmental economic organisation with 35 member countries. Most OECD members are high-income economies and are regarded as developed countries.

- Staff appointments;
- Salary increments;
- Recurring capital expenditure;
- The removal of non-recurring expenditure;
- External factors, such as legislative requirements and changes;
- Changes in input costs; and
- Expansion plans and the effect on savings, growth and expenditure.

The main advantages and disadvantages of incremental budgeting is summarised in Table 4.3.

**Table 4.3:** Incremental budgeting - advantages and disadvantages.

| Advantages                                    | Disadvantages  |
|---|--|
| Easy to understand.                           | Higher focus on the current budget than the future changes required by the organisation.       |
| Easy to produce.                              | Does not provide a good performance overview.  |
| Quick to incorporate.                         | Does not highlight over or under estimation.   |
| Useful where outputs are difficult to define. | Using the current budget as a base may lead to using data that is no longer valid or relevant. |
| Changes are gradual and provides stability.   | Hinders change and expansion.  |
| Highlights deviations from previous years.    | Incremental budgeting is reactive.   |
| Easy to monitor changes.                      | Assumes the current budget is satisfactory.  |

Reproduced from Wetherbe and Montanari (1981); Ross (2008); Pidgeon (2010).

Incremental budgeting relies on an increase in the available resources needed for distribution. The increase in resources can come from economic growth or more resources being allocated to local governments from the national budget. An incremental budgeting process changes to decremental process during extended periods of low economic growth. A decremental process refers to a decrease in budget expenditure with each budgeting period, instead of an

increase as it normally would have (Schick, 1983).

Zero-based budgeting, a budgeting technique that does not rely on economic growth, will be discussed in Section 4.3.2.

### 4.3.2 Input based: Zero-based budgeting

In contrast to incremental budgeting, a zero-based budget is a budgeting technique where all the included items are justified and reviewed and does not rely on current or previous budgets. The objectives and goals of the organisation need to be clear and different ways to achieve these goals are assessed before the budget is allocated. Minimum levels of service provision, the current level and the new level for the budget period need to be defined. The different options for achieving the levels of service provision are evaluated before requesting the resources needed for the budget period. The techniques for measuring the performance of the organisation against the desired levels of service provision are also included along with consequences in the event of non-performance. Activities are ranked in order of priority and resources distributed accordingly (Ross, 2008; Pidgeon, 2010; Ogden, 1978).

Ogden (1978); Ross (2008) and Pidgeon (2010) state that there are a few key points that should be considered during zero-based budgeting:

- Zero-based budgeting is most effective when applied to activities that are mainly discretionary in nature. Some activities in an organisation may be falsely viewed as non-discretionary when the status-quo is not questioned, therefore, discretionary areas need to be identified before starting a zero-based budget;
- The Chartered Institute for Public Finance and Accounting recommends a phased approach to zero-based budgeting. Skills and experience can be accumulated by focusing on less complex areas first; and
- Zero-based budgeting should be adapted to consider the changes the impact of budget changes on service levels.

Zero-based budgeting requires the identification of activities with clearly measurable inputs and outputs before prioritising the activities. This process is beneficial to proper resource allocation by increasing efficiency through discontinuation of lower priority goals. The relative cost associated with revisiting each budget decision and project is high and often without merit (Ross, 2008; Pidgeon, 2010; Wetherbe and Montanari, 1981).

The main advantages and disadvantages of zero-based budgeting is summarised in Table 4.4.

**Table 4.4:** Zero-based budgeting - advantages and disadvantages.

| Advantages   | Disadvantages   |
|--|---|
| Challenges the status-quo.   | Takes more work and longer to produce than incremental budgets.                           |
| The budget is aligned with objectives and outcomes.                        | Skills or training are needed for creation.   |
| Operational managers are actively involved.                                | Suitable performance measures may be difficult to identify.                               |
| Can be adapted to changes in the operating environment.                    | Ranking activities can be difficult.  |
| Enhances effective resource allocation.                                    | Minimum levels of service provision may demotivate managers.                              |
| Focusses on the actual resources required to produce an output or outcome. | Challenging the status-quo can be seen as threatening to some individuals or departments. |
|  | Estimating the cost of resource requirements are problematic.                             |

Reproduced from Wetherbe and Montanari (1981); Ross (2008); Pidgeon (2010).

Zero-based budgeting can be combined with incremental budgeting by implementing zero-based budgeting on certain expenditure items and allowing incremental budgeting to continue on others. This approach allows for a politically motivated budget allocation to take place without major changes to existing incremental budgeting systems (Ogden, 1978).

A variation on zero-based budgeting is priority based budgeting. Priority based budgeting focusses on organisational priorities and increasing or decreasing funds for growth and savings accordingly and leans toward a more output-based budgeting approach than zero-based budgeting (Ross, 2008; Pidgeon, 2010).

The traditional input-based budgeting systems discussed above, however, do not provide the necessary information for a government to operate efficiently in a resource restricted environment (Hoek, 2005). Output-based budgeting techniques are able to provide more information to decision makers than input-based budgeting techniques. Output-based budgeting techniques are discussed in more detail in Sections 4.3.3, 4.3.4 and 4.3.5.

### 4.3.3 Output based: Accrual budgeting

Accrual accounting was developed for income generating organisations and to measure the effectiveness of expenditure in the generation of profits. A governmental organisation is not focussed on profit generation, but on social outcomes and improvements. Countries that have changed to accrual accounting and budgeting include New Zealand, Australia, Canada and the United States in the 1990s with the United Kingdom, Sweden and The Netherlands following afterwards. The move is expected to lead to more insight into the costs of government which in turn should lead to more efficient government organisations (Robinson, 2002; Hoek, 2005).

The main advantages and disadvantages of accrual budgeting is summarised in Table 4.5.

**Table 4.5:** Accrual budgeting - advantages and disadvantages.

| Advantages   | Disadvantages  |
|--|--|
| Contractual relationship between the government and ministers.   | Contracting depends on voluntary, self-interested action.                  |
| The accrual basis would align budgeting and financial reporting. | Public finance laws often require the legislature to approve expenditure.  |
| Financial reports would become analytical tools.                 | Matching tax revenue to production cost is difficult in the public sector. |
| Accounting principles would become decision rules in budgeting.  | High costs and a lengthy process.  |

Reproduced from Schick (1998); Hoek (2005); Schick (2006).

Cash-based and accrual-based budgeting techniques represent two end points on a spectrum of possible techniques, however an accrual-based budget has some characteristics that make it more suitable for use in the public sector: accrual-based budgeting can be used as an input to decision making and allows for evaluation of the future financial effects of the decisions and the budget itself (Hoek, 2005).

Here it is important to pause and note that decision making in a democracy cannot take place in isolation and the inputs of all stakeholders need to be taken into account. Participation in the budgeting process internalises objectives of an organisation among stakeholders and creates a feeling that the stakeholder's inputs are valued (Brownell and McInness, 1986; Kung and Huang, 2013). Therefore, providing the sixth requirement for the framework:



**Requirement 6: Budgetary participation and objective communication in the formulation of the budget** (Brownell and McInness, 1986; Kung and Huang, 2013).

Budgetary participation and objective communication can increase acceptance of budgetary objectives and the value of achieving those objectives, thereby enhancing management performance and making it an important requirement for a budget framework. The sharing of knowledge between stakeholders in an organisation promotes the flow and effective use of information (Brownell and McInness, 1986; Kung and Huang, 2013).

A budgeting technique that places particular emphasis on public participation is discussed in Section 4.3.4.

#### 4.3.4 Output based: Participatory budgeting

Participatory budgeting is a public sector budgeting technique that attempts to give citizens ownership of the budgeting process. Citizens are able to prioritise services or projects through votes and public debate. Ross (2008) and Pidgeon (2010) notes that there are a few key points that should be considered during participatory budgeting:

- Citizen representation must be fair and equitable;
- Citizen representation is achieved through groups;
- The groups are given training;
- Budgeting is project based to allow for performance measurement.

The main advantages and disadvantages of participatory budgeting is summarised in Table 4.6.

**Table 4.6:** Participatory budgeting - advantages and disadvantages.

| Advantages   | Disadvantages   |
|--|---|
| Improves decision making.                                | The public may deem the process unnecessary.  |
| Increases public understanding of the budgeting process. | Public apathy may lower participation.  |
| Improves public ownership of local government assets.    | The process can be manipulated.   |
| Projects are more likely to be delivered on time.        | The project based approach may lead to a lack of ongoing maintenance work being done effectively. |

| Advantages   | Disadvantages   |
|--|---|
| Enhances democracy and transparency.                             | Government activities that are not on a local level may not be debated. |
| Improved public participation and communication.                 | Can be used by individuals to further personal agendas.                 |
| Decreases the feeling of being marginalised in some communities. |   |

Reproduced from Ross (2008); Pidgeon (2010).

Kenis (1979) and Kung and Huang (2013) describes budget participation as the level of interaction by all stakeholders in the budgetary process, and the degree to which stakeholders influence goal setting. This makes it important to include as a budget framework requirement. Participation in the budgetary process can reduce uncertainty in an organisation with regards to the sharing of information. Participation in the budgetary process gives stakeholders the feeling that they have an equal opportunity to express their opinions and have a degree of influence on the decision making process of an organisation, resulting in increased acceptance. This requirement reiterates the need for citizen participation and the development of structures and a culture that enables dialogue and engagement as stipulated in the White Paper on Local Government, 1998; Section 19 of the Local Government Municipal Structures, 1998 and the Local Government Municipal Systems Act, 2000 as discussed in Chapter 3.

Although a participatory budget shows potential as a tool for reducing the symptoms of the “Rebellion of the poor”, an effective budget and budget expenditure is most often measured in terms of a budget surplus, where not all allocated funds were used, or a budget deficit, where more than the allocated funds were used (Marti, 2006).

These measures are not sufficient when there is increased competition for a shrinking pool of resources. A budgeting technique that is centred around efficiency and measuring outcomes is presented in Section 4.3.5.

### 4.3.5 Output based: Performance-based budgeting

Performance-based budgeting is a budgeting technique requiring the development and reporting of performance measures that are applied to government programs, services, and activities; and a system in which decision-makers use these measures in the budget process (Lu and Willoughby, 2015b).

Lu *et al.* (2011) state that performance-based budgeting addresses the need for performance information to be included in the budgeting process, creating

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a results oriented budget. A results orientated budget focusses on the outcomes along with the outputs of a government entity. The key objectives of performance-based budgeting are:

- More informed allocation decisions;
- Improved overall accountability of resource allocation; and
- More effective and efficient public service delivery.

Ross (2008); Pidgeon (2010) and Lu *et al.* (2011) state that performance-based budgeting connects performance information with resource allocation through the following elements:

- Inputs, usually monetary;
- Outputs;
- Efficiency, usually cost per activity; and
- Effectiveness, measuring the level of achieving objectives.

The main advantages and disadvantages of performance-based budgeting is summarised in Table 4.7.

**Table 4.7:** Performance-based budgeting - advantages and disadvantages.

| Advantages  | Disadvantages   |
|---|---|
| Enhances communication and enables synergies among departments and across branches of government.                       | Leaders and decision makers need to support the system and use the information produced.  |
| Unifies the direction of government across departments and throughout different programmes.                             | The political will to use the performance information when making decisions is crucial.   |
| Provides decision-makers and the public with a better understanding of what and how government entities are performing. | Deciding what measures to use can be a challenge.   |
|   | Continuous improvement needs to be embraced as opposed to punishment for non-performance. |

Reproduced from Lu and Willoughby (2015*a,b*).

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Performance-based budgeting begins at a policy level with the aim of achieving organisational goals and objectives. Performance measures are created and used to track the achievement of these goals. The performance measures are used when preparing the budget and throughout the budget period to allow for intervention when necessary (Ross, 2008; Pidgeon, 2010; Lu *et al.*, 2011; Lu and Willoughby, 2015*a,b*).

In a study across all the states of the United States of America, Lu and Willoughby (2015*a,b*) has found that:

- A longer history of performance-based budgeting laws had a positive impact on government entity liquidity;
- Government entities that have laws in place for longer periods indicate significantly lower expenditures, suggesting better service delivery at a lower cost;
- Performance-based budgeting enhanced the fiscal health in the long run; and
- The use of performance-based budgeting increased communication among decision-makers and stakeholders inside and outside of the government entities.

Laws and legislation that assists with and enforces the implementation of performance-based budgeting has a positive impact on the fiscal state of government entities and enables better decision making (Lu *et al.*, 2011; Lu and Willoughby, 2015*a,b*).

The conclusion was reached that a budgeting technique that emphasises performance measurement while allowing for inputs from stakeholders may be the best approach for public sector budgeting in South Africa. Performance-based budgeting not only emphasises measuring inputs and outputs to quantify efficiency and effectiveness, but it also aims to improve communication between stakeholders. Therefore, performance-based budgeting holds the most promise for local government in South Africa.

The practical implementation of a performance-based budget is presented in Section 4.4. In this section the major headings as well as examples of successful implementations of performance-based budgeting will be presented.

## 4.4 Implementing a performance-based budgeting process

Performance-based budgets are defined as “procedures or mechanisms intended to strengthen links between the funds provided to public sector entities and their outcomes and/or outputs through the use of formal performance information in resource allocation and decision making” (Willoughby and Melkers, 2000; Bianchi and Rivenbark, 2012).

Curristine *et al.* (2007) and Anderson (2008) distinguishes between three types of Performance-based budgets:

- Presentational - Where some performance information (PI) is added to financial figures to assist in accountability;
- Performance-informed - Offers indirect links between the allocated financial resources and the expected outputs and outcomes to assist in accountability and planning; and
- Formula-based - Establishes direct links between financial input and performance outputs to assist in accountability and resource allocation.

According to Shaw (2016), a main emphasis of current public budgeting practices in Canada, Ireland, the Netherlands, the United Kingdom and the United States is to deliver more out of the available resources through cash saving efforts and better accountability. These five OECD countries make use of performance budgeting to achieve these goals.

Not only are performance-based budgeting processes expected to increase efficiency and accountability, but a host of other demands have also been placed on performance budgeting. According to Klepsvik and Hawkesworth (2013), these demands are:

- Strategy - Outcome data is needed to enable governments to make decisions on strategic goals;
- Accountability - Data is needed on outputs and outcomes to enable stakeholders to hold governments accountable;
- Transparency - Output and outcome data needs to be linked to inputs to provide transparency into the efficiency and effectiveness of spending;
- Departmental management - Ministers need input, process, output and outcome data to hold departments to account and make policy decisions; and

- Programme management - Input, process and output data is needed by programme managers to make decisions regarding services and programmes in governments.

In Section 4.4.1 some lessons on implementing performance-based budgets are considered, while the significance of PI with regards to performance-based budgeting is presented in Section 4.4.2. Finally, the positive effects of the use of performance-based budgeting in developed countries are considered in Section 4.4.3. These form the basis for several requirements for a conceptual framework that enhances budget transparency and will be summarised as such at the end of the chapter.

#### 4.4.1 Implementation practices and procedures

Curristine *et al.* (2007) and Anderson (2008) emphasise important factors that aid in the successful implementation of performance-based budgeting:

- Government entities need to adapt their approach to the current context because a single successful model is not possible;
- A common planning and reporting framework needs to exist;
- PI needs to be an integral part of the budget process;
- Mechanical approaches that link performance results to resource allocation should be avoided. A mechanical approach makes it difficult to investigate the underlying causes of poor performance and may be subject to manipulation;
- PI needs to be independently assessed;
- Political and administrative support is essential;
- Staff and resource capacity is critical;
- Evolving circumstances means reform and implementation needs to be adaptable; and
- Motivation through incentives for civil servants and politicians are important.

These factors not only aid in the successful implementation of performance-based budgeting, but also help to improve expenditure control as well as public sector efficiency and performance. The factors will be considered during the creation and validation of the proposed framework in the following chapters.

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The factors that aid in the successful implementation of performance-based budgeting, presented in this section, also provides the following key requirements for the framework:

**Requirement 7: Performance information needs to be an integral part of the budget process.**

**Requirement 8: Mechanical approaches that link performance results to resource allocation should be avoided.**

**Requirement 9: Performance information needs to be independently assessed.**

**Requirement 10: Staff motivation and resource capacity are critical.**

**Requirement 11: Reform and implementation of budget needs to be adaptable.**

The OECD stated in 2013 that performance-based budgets at a local government level is mostly presentational with some being performance-informed. PI in budgets are usually based on financial and operational data, but may consist of evaluations, statistical analysis and reports from outside of local government entities (OECD, 2013).

The need for PI becomes increasingly critical as citizens continue to demand better efficiency with their tax money. The speed and methods of reforms vary across OECD countries but a long-term view is necessary (Curristine *et al.*, 2007; Anderson, 2008).

Performance management and reform in the public sector is a worldwide phenomenon that started more than two decades ago. The concept of performance-based budgeting is as a results of the push to include PI in the annual budgets and financial reports of public sector organisations (Grossi *et al.*, 2016).

PI is discussed in more detail in Section 4.4.2.

### 4.4.2 Performance information

Performance information is gained from the use of performance measures. Performance measures are a means of quantifying the efficiency and effectiveness of an event or programme. Performance information is important to all stakeholders of an organisation and performance measures delineate what should be measured and what the actual performance should look like to be deemed

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acceptable (Neely *et al.*, 1997; Valmohammadi and Ahmadi, 2015; Agostino and Arnaboldi, 2015).

Grossi *et al.* (2016) state that the availability of performance data does not guarantee that the information will be used for decision making. The actual and effective use of PI in rational planning and decision making is dependent on numerous factors. These factors were summarised by Grossi *et al.* (2016) from several other studies as:

- Contextual factors - Political instability lessens interest in performance information and political appointees who are debating with their opponents view precise figures as obstacles to their political objectives;
- Organisational factors - Strong statutory requirements are related to modest performance information use and a higher emphasis on complying with the law than on reaching performance targets;
- Individual characteristics of actors - Local councillors are only somewhat interested in PI, while municipal managers who are closer to the users of public services seem to be the prime users of PI;
- Type of performance information - Financial information is more relevant than non-financial information; and
- Purpose of PI use - Accountability is more relevant than internal decision-making.

Grossi *et al.* (2016) emphasise that PI need to be appropriate when used for budgeting. Appropriate PI has the following characteristics:

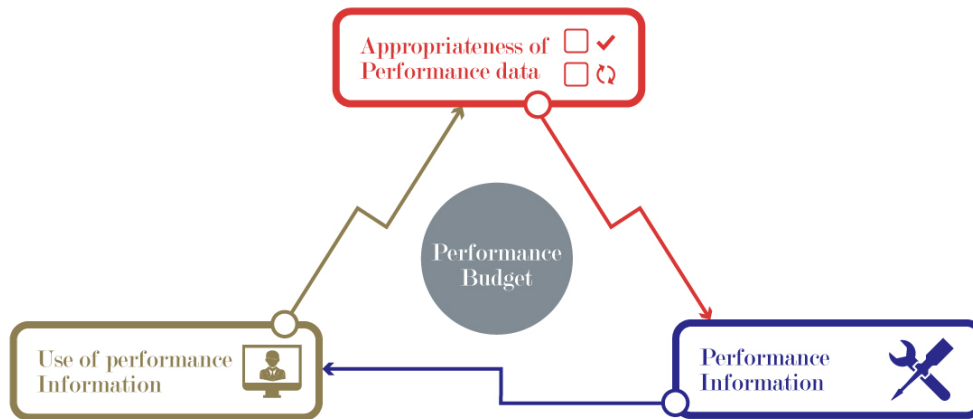
- Targets need to be quantitative and qualitative;
- Performance indicators need to measure efficiency, effectiveness and the quality of services rendered;
- A clear link between performance indicators and targets need to exist;
- Performance indicators need to be measurable and comparable;
- A link between performance information with strategies and financial data need to exist; and
- The performance indicators need to be in a readable presentation.

Grossi *et al.* (2016) ultimately summarises the influencing factors of PI use in budgeting through an analytical model. The model is illustrated in Figure 4.2.



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AT LOCAL GOVERNMENT LEVEL 80

**Figure 4.2:** An analytical model of Interrelations Between Performance Information and Its Appropriateness, Use, and Influence Factors.



Adapted from Grossi *et al.* (2016).

Grossi *et al.* (2016) concludes that the budgeting process in government entities cannot be a completely economically rational system because the political process of making decisions about policies and resources will always contain numerous nuances.

Effective public participation relies on citizens feeling that their views are taken into account and that a legitimate process is followed by a legitimate, or trust-worthy, local government as discussed in Section 4.2.

Performance-based budgets that include elements from participatory budgets offer some potential for facilitating informed political and managerial choices, but the increased transparency may limit the bargaining opportunities for politicians with different priorities and interests (Grossi *et al.*, 2016).

In Section 4.4.3 some results from the use of performance-based budgeting in OECD countries are presented.

#### 4.4.3 Results from the use of performance-based budgeting

A survey by Moretti (2016) conducted over all OECD countries found that 73% of the OECD countries have adopted some form of accrual accounting for their year-end financial reporting with 9% of the countries in a transitioning

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phase. 29% of the countries that have adopted some form of accrual accounting use output-based budgets and 9% use a mixture of input and output-based budgets. The countries making use of output-based budgeting are:

- Australia;
- Canada;
- Denmark;
- New Zealand;
- Switzerland;
- the United Kingdom;
- Austria;
- Iceland;
- Chile; and
- Mexico.

Curristine *et al.* (2007) states that OECD countries have reported numerous advantages of using PI during and for budgeting. The most significant advantages are:

- Supports the setting of goals and priorities in budgets;
- Strengthens planning and decision making;
- Improved focus on results;
- Improved monitoring of performance; and
- Enhanced accountability and transparency by providing more and better information to citizens.

According to Harris (2008) the Governmental Accounting Standards Board in the United States of America confirmed that PI enhanced the legitimacy of local government through communication and accountability. The use of PI had the following effect:

- Increased citizen engagement;
- Enabled citizens to analyse, interpret and evaluate the performance of local government;
- Enhanced decision making; and

- Increased confidence and trust in local government.

Performance management tools, such as performance indicators and budgeting, help to increase the legitimacy of public sector organisations. Individual performance measures applied within the private and public sectors may vary, yet the underlying principle of identifying and evaluating realised outcomes remains the same. (Suchman, 1995; Harris, 2008; Luke *et al.*, 2013). The twelfth requirement for the framework has been identified in this section:

**Requirement 12: Ensure a credible and sustainable budget that provides some form of integrity assurance (Harris, 2008).**

In line with the systems engineering approach, discussed in Section 1.5, it is prudent to present the gathered requirements for the framework thus far. Section 4.5 presents the requirements identified during the literature review thus far.

## 4.5 Framework requirements

In addition to the requirements gathered in Chapter 3 (R1 - R5), the discussion in Chapter 4 allowed for several more requirements to be inferred. The total list of requirements gathered thus far are summarised in Table 4.8.

**Table 4.8:** Framework requirements identified in Chapter 4.

| Requirement no. | Requirement   | Section |
|-----------------|---|---------|
| R6              | Budgetary participation and objective communication in the formulation of the budget (Brownell and McInness, 1986; Kung and Huang, 2013).       | 4.3.3   |
| R7              | Performance information needs to be an integral part of the budget process (Curristine <i>et al.</i> , 2007; Anderson, 2008).                   | 4.4.1   |
| R8              | Mechanical approaches that link performance results to resource allocation should be avoided (Curristine <i>et al.</i> , 2007; Anderson, 2008). | 4.4.1   |
| R9              | Independently assessed performance information (Curristine <i>et al.</i> , 2007; Anderson, 2008).   | 4.4.1   |

| Requirement no. | Requirement  | Section |
|-----------------|--|---------|
| R10             | Staff motivation and resource capacity are critical (Curristine <i>et al.</i> , 2007; Anderson, 2008).       | 4.4.1   |
| R11             | Reform and implementation of budget needs to be adaptable (Curristine <i>et al.</i> , 2007; Anderson, 2008). | 4.4.1   |
| R12             | A credible and sustainable budget that provides some form of integrity assurance (Harris, 2008).             | 4.4.2   |

A discussion on the objectives achieved in this chapter is presented in Section 4.6.

## 4.6 Chapter conclusion

This chapter reviewed the available literature on the theory and practice of budget formulation at local government level in response to RQ3: What are the best practice guidelines and requirements for budgeting in local governments? In addition hereto a number of framework requirements in line with SO4 (Table 1.1) were also identified and summarised in Section 4.5.

In this chapter the theory and practice of contemporary budgeting techniques were presented. A distinction was made between input and output-based budgeting techniques and the literature supports the notion that output-based budgeting techniques are more suited to local governments, especially when resources are becoming scarcer and effectiveness and efficiency are first priority.

An important conclusion from this chapter is that citizens in local government who are included in the development and determination of performance measures are more likely to make use of, and find value in performance measurement. The budget effects of performance measurement are influenced by the presence and comprehensive use of performance measures in budget processing and performance. However, the simple presence of performance measures in documentation does not mean they will be used effectively in decision making, correct performance measures at appropriate stages of the budgeting process removes the chances of information overload (Willoughby and Melkers, 2000; Chan, 2004; Melkers and Willoughby, 2005*a*).

Shaw (2016) warns that no single system is able to satisfy all the requirements at once as each requirement needs different types and levels of infor-

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mation and is aimed at different stakeholders. Focussing on improving one single aspect is mostly at the expense of another. Shaw (2016) summarises the conclusions on performance budgeting and practices in five<sup>4</sup> OECD countries as follows:

- The executive branch of government usually initiates performance budgeting but budget institutions ensure its success;
- Expenditure is reviewed, but not necessarily measured for efficiency or effectiveness;
- PI should be used for discussion and decision making, and not just for transparency or punishment;
- Performance indicators, as part of performance budgeting, should be used in decision making and not just for reviewing expenditure;
- Laws exist to force senior officials to take responsibility for budget expenditure and the PI to prove efficiency and effectiveness; and
- Political support from all levels of government is paramount.

Despite the warning from Shaw (2016), the conclusion made after an in depth analysis of the current theoretical body of knowledge on budgeting techniques on a local government level is that a performance-based budgeting process that allows for inputs from stakeholders may be the best approach for public sector budgeting in South Africa.

Communication between government and citizens aid in transparency, where transparency in turn helps to build trust and increase the credibility and the legitimacy of government (Heald, 2012).

Communication between local government and citizens cannot only take place before and during budget decision making, but should be a constant process as a means of expectation management and to communicate the outcomes of budget expenditure (Hoek, 2005).

Chapter 5 expands on the subject of budget accountability, a key element of communicating budgetary information to citizens, in local government.

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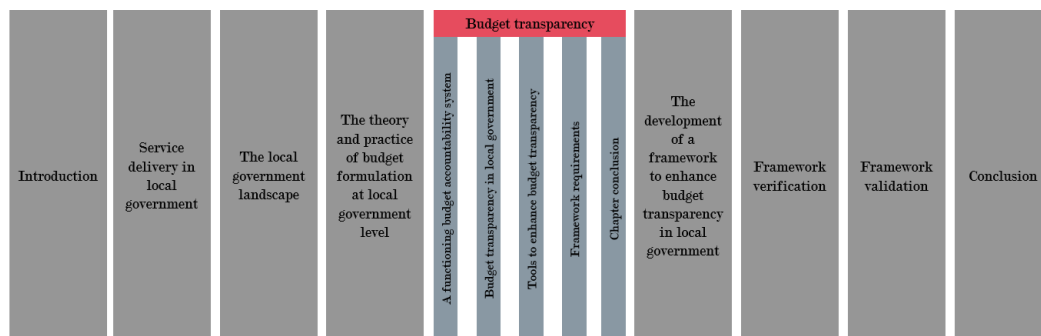
<sup>4</sup>The OECD countries referred to by Shaw (2016) are Canada, Ireland, the Netherlands, the United Kingdom and the United States.

## Chapter 5

# Budget transparency

“Donker afrika is net donker  
vir die met oogklappe aan.”

— Fokofpolisiekar -  
Antibiotika



Chapter 5 presents the different aspects of communicating a local government budget to citizens, in a way that is in line with the Constitution of South Africa but also with modern theory and best practice, will be discussed. The chapter aims to answer RQ4: What are the best practice guidelines and requirements for communicating budget expenditure to citizens in local government?

The International Budget Partnership (IBP)<sup>1</sup> states that government budgets are imperative to development and that budgets are the most powerful tool to meet the needs of citizens. The IBP emphasises that access to comprehensive and timely budget information, along with citizen participation,

<sup>1</sup>The International Budget Partnership works with civil society and organisations around the world, using budget analysis and advocacy as a tool, to improve effective governance and reduce poverty.

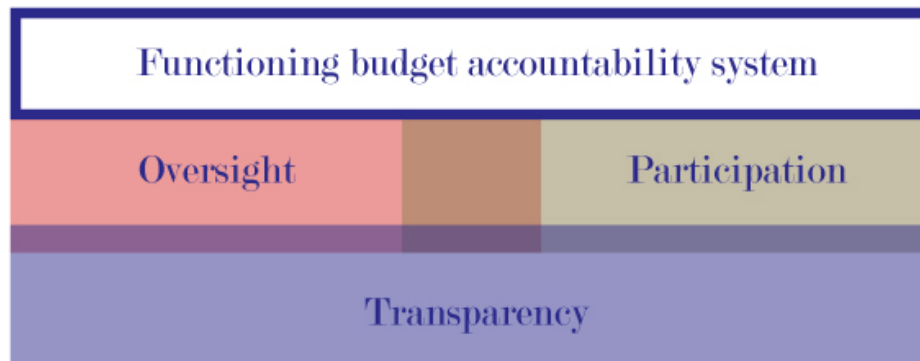
improves good governance and service delivery.

The International Budget Partnership did a survey in 2012 and 2015 on three pillars of a functioning budget accountability system (International Budget Partnership, 2015). The three pillars are:

- Oversight;
- Citizen participation; and
- Transparency.

Considerable overlap exists between oversight, participation and transparency, but transparency, which includes the communication of information, is the cornerstone for a functioning budget accountability system. Accountability and oversight can be seen as two sides of the same coin (Harrison and Sayogo, 2014). Therefore, the phrases are used interchangeably in this document. A functioning budget accountability system is illustrated in Figure 5.1.

**Figure 5.1:** The three pillars of a functioning budget accountability system.



Adapted from Harrison and Sayogo (2014); International Budget Partnership (2015).

The three pillars of a functioning budget accountability system are presented in Section 5.1. A detailed discussion of all three pillars is beyond the scope of this document, but because transparency is seen as the cornerstone of a functioning budget accountability system, transparency is discussed in detail in Section 5.2 with particular emphasis on budget transparency.

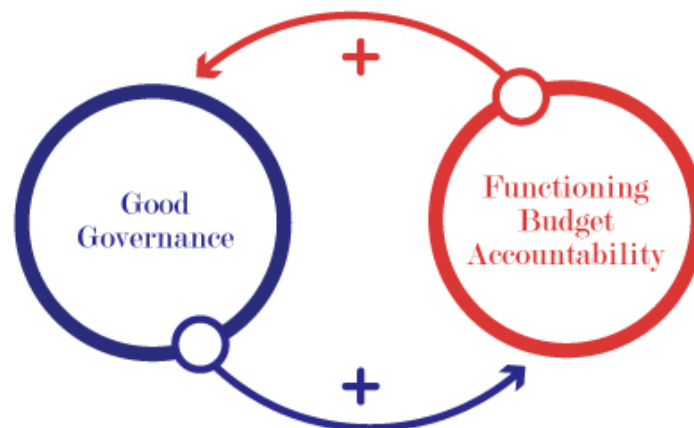
Budget transparency is the openness and availability of information about budgets, audits, and related financial policies. Budget transparency can be used as a measure of commitment to revealing the decision making processes within government (Heald, 2012; da Cruz *et al.*, 2016). It has already been identified as a key requirement of the framework in sections 3.1 and 3.3.

Budget transparency is facilitated by the communication and dissemination of information. Tools to enhance budget transparency, particularly through communication and dissemination of information, are introduced in Section 5.3.

## 5.1 A functioning budget accountability system

A functioning budget accountability system aids in the acceleration of good governance (Kraai *et al.*, 2017). The Office of the United Nations High Commissioner for Human Rights (2007) defines good governance simply as the “exercise of authority through political and institutional processes that are transparent and accountable and encourage public participation”. Therefore, good governance strengthens the three pillars of a functioning budget accountability system, while a functioning budget accountability system aids good governance, creating a positive feedback loop<sup>2</sup>.

**Figure 5.2:** A positive feedback loop between good governance and functioning budget accountability.



<sup>2</sup>A positive feedback loops enhances or amplifies changes.



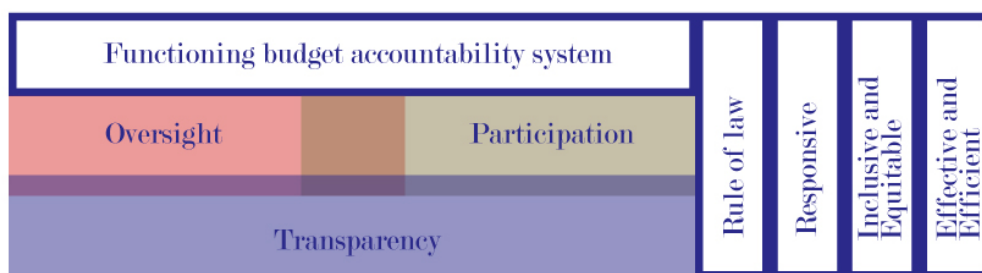
Reddy *et al.* (2005) and Reddy *et al.* (2015) define good governance as best-practice principles for formulating and implementing decisions in local government and adds that good governance and good decision making in government share common characteristics. These characteristics are:

- Accountability - Decisions should be taken with local communities in mind and local government is accountable for the decisions made;
- Transparency - Citizens should know how and when a decision is made;
- Rule of law - Decisions should be made that are within the powers of local government and consistent with the relevant legislation;
- Responsive - The needs of the citizens should be addressed by balancing competing interests timely and appropriately;
- Inclusive and equitable - The needs of all citizens should be taken into account;
- Effective and efficient - Decisions should make the best use of available resources; and
- Participatory - All citizens should be allowed to participate in the decision making process.

This definition of good governance illustrates the importance of a functioning budget accountability system.

The characteristics of good governance are illustrated in Figure 5.3.

**Figure 5.3:** The characteristics of good governance.



Adapted from Reddy *et al.* (2005); Harrison and Sayogo (2014); International Budget Partnership (2015).

The World Bank (2011) provides guidance on good governance and specific steps to achieve good governance as part of what is called “smart design for good governance”. The specific steps are:

- Develop internal controls and accountability mechanisms, including procurement and financial management. This includes the enhancement in transparency of information and project management strategies;
- Ensure that effective project oversight and supervision can be obtained by using independent, local non-governmental organisations and community groups;
- Implement a communications plan that consistently and correctly communicates to all stakeholders; and
- Strengthen citizen participation and external accountability through community-driven development approaches, complaint mechanisms, satisfaction surveys and citizen report cards.

The guidance provided by the World Bank (2011) will be taken into account during the development of the framework in Chapter 6 because of the positive feedback loop between good governance and a functioning budget accountability system. The three pillars of a functioning budget accountability system will be discussed in more detail in the next sections. The role and importance of oversight is presented in Section 5.1.1, followed by citizen participation in Section 5.1.2 and transparency in Section 5.1.3.

### 5.1.1 Oversight

Accountability and oversight can be seen as two sides of the same coin (Harrison and Sayogo, 2014). Therefore, understanding oversight starts with understanding accountability.

Accountability can be described as the acknowledgement and the assumption of responsibility for actions, decisions, and policies including the administration, governance, and implementation within the scope of the assigned role, or employment position, and encompassing the obligation to report, explain and be answerable for resulting consequences (UCT Department of Public Law, 1999).

The UCT Department of Public Law (1999) states that the following preconditions need to be in place for accountability to work:

- The power to make decisions and to put them into effect should be assigned to a person;

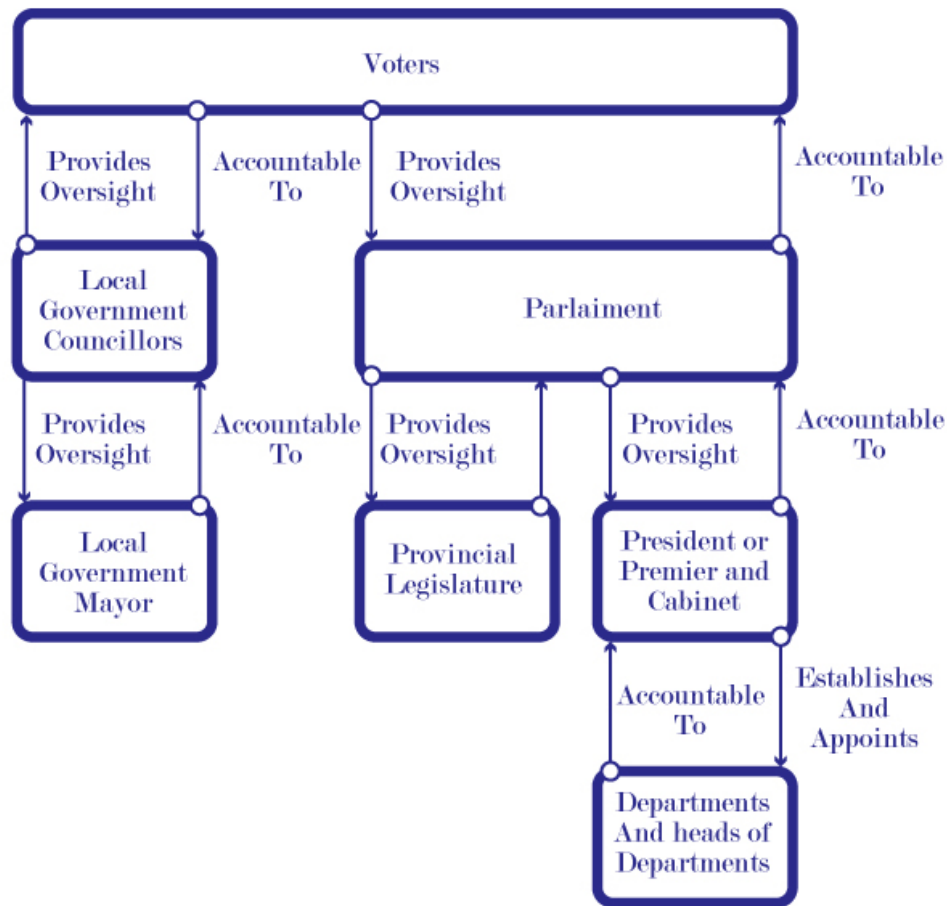
- The person, or decision maker, should be assigned objectives or standards that are attainable;
- The decision maker should answer to an authority figure; and
- The authority should be able to call the decision maker to account.

Therefore, the decision maker is accountable to the authoritative body that performs the oversight.

Oversight and accountability are crucial elements of the “Trias Politica” principle introduced in Section 3.1 and is referred to in the following sections of the Constitution of South Africa:

- Section 42(3) - The National Assembly, or Parliament, is elected to represent the people and to ensure government by the people under the Constitution. The National Assembly elects the President, provides a national forum for public consideration of issues, passes legislation and scrutinises and oversees executive action;
- Section 55(2) - The National Assembly must put mechanisms in place that ensure that all executive organs of state in the national sphere of government are accountable to it and that oversight is maintained;
- Section 92(2) - Cabinet Members are accountable to Parliament;
- Section 114(2) - The provincial legislature must put mechanisms in place that ensure that all executive organs of state in the provincial sphere of government are accountable to it and that oversight is maintained; and
- Section 113(2) - Executive Members at a provincial level are accountable to the provincial legislature.

The Parliament of the Republic of South Africa (2009) defines oversight in the South African context as “a constitutionally mandated function of legislative organs of state to scrutinise and oversee executive action and any organ of state.” The Parliament of the Republic of South Africa (2009) adds that oversight entails “the informal and formal, watchful, strategic and structured scrutiny exercised by legislatures in respect of the implementation of laws, the application of the budget, and the strict observance of statutes and the Constitution.” The chain of accountability and oversight is illustrated in Figure 5.4.

**Figure 5.4:** The chain of accountability in South Africa.

Adapted from Parliament of the Republic of South Africa (1996); Republic of South Africa (1998); UCT Department of Public Law (1999).

Oversight is multi-faceted and includes political, administrative, financial, ethical, legal and strategic elements. The Parliament of the Republic of South Africa (2009) emphasises the following facets of oversight:

- Enables the effective management of government departments to improve service delivery;
- Detects and prevents abuse, arbitrary behaviour or illegal and unconstitutional conduct by the government and public agencies;
- Holds the government to account in respect of the use of tax funds;

- Detects wasteful expenditure and improves the efficiency, economy and effectiveness of government operations;
- Monitors the achievement of goals as set by legislation and the government; and
- Improves the transparency of government operations and enhances public trust in government.

Various pieces of legislation exist to attain accountability and provide oversight at a local government level (Kraai *et al.*, 2017). The pieces of legislation are:

- The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) - Provides the basic requirements for the establishment of committees that assist the municipal council with conducting oversight;
- The Public Finance Management Act, 1999 (Act 1 of 1999) - Provides the terms of reference for holding public officials accountable; and
- The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) - Requires municipalities to prepare and adopt annual reports to encourage accountability to the residents for services rendered during the year by the municipality.

Effective oversight and accountability of government by citizens require that citizens are able to participate in government planning and decision making and that government, in turn, respond to the needs of the citizens through accountability and transparency (Reddy *et al.*, 2015). The second pillar of a functioning budgeting accountability system, citizen participation, is discussed in Section 5.1.2.

### 5.1.2 Citizen participation

Participation in a local government communications context can be defined as the involvement of stakeholders in policy decision making. Inputs from stakeholders need to be considered during the process and should be allowed to influence the decisions made (Rowe and Frewer, 2000; Bickerstaff *et al.*, 2002; Feeney and Welch, 2012).

Section 42 of the Constitution of South Africa requires that citizen participation takes place in all decision making processes in government (Parliament of the Republic of South Africa, 1996).

Citizen participation is particularly important when decisions regarding the types of investment projects undertaken are made but also when design

and implementation, and operation and maintenance decisions are made. The involvement of civil society organizations, consumer groups, project beneficiaries, and affected communities in all stages of projects can simultaneously improve development outcomes and reduce the possibility that fraud and corruption will take place (World Bank, 2011) .

Access to reliable information is a precondition for good democracy and citizen participation. Access to reliable information enables citizens to detect corruption and hold governments accountable. Transparency and accountability thereby act together to produce the information that citizens need to assess and validate the decisions and actions of governments, making it easier for citizen participation to take place. Citizen participation strengthens transparency and accountability and the public is considered as the ultimate audience for, and the consumer of, information provided through transparency processes (Dervin, 1994; Norris, 2001; McGee and Gaventa, 2011; Heald, 2012; Michener and Bersch, 2013; Harrison, 2014; Harrison and Sayogo, 2014).

According to Harrison and Sayogo (2014) democratically elected governments often fail to deliver on election campaign rhetoric, and to the expectations of citizens. Citizens then demand higher levels of transparency as a remedial action. Harrison and Sayogo (2014) states that the calls for open government and open data through transparency, participation, and accountability in reality refers to the need for citizens to insure that governments produce actions, services, and products that are accessible. This is central to the premise of this study that expectation management is one half of the equation of customer satisfaction, a lack of which leads to customer dissatisfaction or service delivery protests (Introduction, Chapter 2).

Williams (2006) states that citizen participation has become synonymous with good governance in South Africa after 1994. Section 152 of the Constitution of South Africa states that local government is obligated to encourage communities and community organisations to participate in matters of local government.

The related policy documents for citizen participation in South Africa is contained in the White Paper on Local Government (1998), while the The Municipal Systems Act, Act 32 of 2000, is the legislative requirement used to enforce the policy (Department of Public Service and Administration, 1998; Department of Provincial and Local Government, 2001). These documents were discussed in more detail in Chapter 3.

A number of goals with regard to citizen participation is defined in the White Paper on Local Government as well as the Local Government Municipal Systems Act, with the end goal of involving stakeholders to delineate, define

and promote their common interests. An Integrated Development Plan (IDP) is a requirement at local government level, as contained in the Local Government Municipal Systems Act, and enables citizens to work with local government to establish short, medium and long term development plans, ensuring citizen participation takes place. Chapter 4 of the Municipal Structures Act states that the executive mayor, as voted for by the council, is required to report on citizen participation in local government and to ensure that the views of the public is taken into consideration when decisions are made (Williams, 2006).

Despite the existence of a legislative framework for citizen participation, a study by Williams (2006) in the Cape Town area did not reveal any evidence of citizen participation. Williams (2006) was particularly concerned that government institutions act in a bureaucratic manner that undermines the rights of citizens to participate in the developmental planning of communities and local government expenditure and states that the Constitution is lacking in this regard by not identifying what constitutes as successful citizen participation.

The end of apartheid has not resulted in a more equitable and just society for the majority of South Africans and this can only change when citizens are informed and active in the decision making process of local government. The establishment of community organisations to represent the interests of citizens at local government to increase citizen participation is necessary (Williams, 2004, 2006).

Public organisations, such as local governments, are required to engage citizens and other stakeholders before and during the decision making process to identify and prioritise the needs of its citizens. The aim of citizen participation is to allow citizens to be active role players and not just consumers of services. However, a perception of being marginalised or that giving inputs are a difficult and time consuming practice may hamper these efforts (Ebdon, 2002; Feeney and Welch, 2012).

Feeney and Welch (2012) are of the opinion that in order for citizens to be able to influence decision making, demonstrations of citizen participation should be evident within the following local government processes:

- The input process;
- Organisational decision outcomes; and
- The democratic governance process.

**The input process** refers to the process of interaction between local government and citizens. A local government that has a developed input process

would be more willing to accept inputs and exchange information with stakeholders. A developed input process would allow a high number of contributors at multiple occasions (Feeney and Welch, 2012). This is identified as a requirement for a budget framework that enhances transparency:

**Requirement 13: Input processes that allow for interaction between government and citizens (Feeney and Welch, 2012).**

**Organisational decision outcomes** are the extent to which decisions affect stakeholders. Stakeholders and citizens may feel a sense of ownership in outcomes when their inputs are considered, allowing implementation to take place without opposition from citizens. Evidence that stakeholder inputs were considered often needs to be demonstrated to citizens to keep the process credible (Rowe and Frewer, 2000; Feeney and Welch, 2012).

**The democratic governance process** refers to the level of transparency and the willingness of government to allow citizens to participate in decision making. A governance process that is not conducive to citizen participation may result in citizens losing trust in government and government decisions (Rowe and Frewer, 2000; Feeney and Welch, 2012).

According to Ebdon (2002), the budgeting process is an ideal opportunity for public participation because of the high level of policy decisions contained in the budget and adds the following important observations regarding the public participation in the budgeting process:

- Cities where the public participate in the budgeting process have a better perception of their local government;
- Public meetings often have a low turnout and are not represented accurately in terms of demographics;
- Surveys can provide valuable and scientifically accurate information but question wording may affect results;
- Panel discussions and committees are useful where major policy issues are of concern, but may be expensive;
- Public participation achieves the best outcomes when started early in the budgeting process and inputs can be used for decision making; and
- Symmetrical or two-way communication processes achieves the best results.

The observations mentioned by Ebdon (2002) will be emphasised during the creation of the framework in Chapter 6.



Trust in government by citizens improve when a platform exists where citizens are allowed to participate in local government decisions and performance evaluation on a regular basis. Transparency and accountability in public organisations are increased and better enforced when citizen participation occurs regularly (Kim *et al.*, 2014; Kim and Lee, 2017). Transparency is introduced in Section 5.1.3.

### 5.1.3 Transparency

A meta-study by Schnackenberg and Tomlinson (2016) in search of the definition of transparency illustrated that transparency can only be defined within context. Schnackenberg and Tomlinson (2016) states the following with regards to the definition of transparency: “... diverse applications suggest that, at its core, transparency neither exists within any single domain of research nor operates within any one context of study. Rather, the emerging consensus is that transparency can exist across contexts and domains of research. In addition, our review shows that most (but not all) managerially relevant applications of transparency exist at the organisation level of analysis, specifically in relation to organisation-stakeholder relationships.” Therefore, it is worth noting that this study is solely focussed on the local government-citizen relationship context.

The World Bank (2011) describes transparency as the openness and visibility of all conducts of government and adds that accountability and participation is built upon transparency. On the other hand, da Cruz *et al.* (2016) defines transparency as the timely release of relevant and complete information regarding all actions of government to citizens in a manner that is accessible. The role of transparency, according to da Cruz *et al.* (2016), is to provide citizens with information that allows for participation and improvement in the decision making process and to promote accountability.

Increased levels of transparency in government results in higher levels of accountability to citizens and improves good governance. Information that is open and easily accessible is a right in many countries in the world and a priority for public administration, allowing for increased citizen participation (Bauhr and Grimes, 2014; da Cruz *et al.*, 2016).

In 2012 the Open Government Partnership (OGP)<sup>3</sup> released modern best-practice guidelines on increasing levels of transparency, accountability and

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<sup>3</sup>The Open Government Partnership (OGP) is a multi-stakeholder coalition of governments, civil society and private sector organisations working to advance open government around the world. Open government is a set of principles aimed at increasing public sector responsiveness to citizens, countering corruption, promoting economic efficiencies, harnessing innovation, and improving the delivery of services.

citizen participation in government organisations (McCarthy, 2012).

The organisation-stakeholder transparency relationship contexts in government are outlined in Table 5.1.

**Table 5.1:** Organisation-stakeholder transparency relationship contexts in government.

| Context  | Organisation-stakeholder relationships  |
|--|---|
| Aid.   | Aid transparency involves publishing information on aid flows and all donor, recipient country and NGO efforts, which have developmental or humanitarian impacts.   |
| Asset disclosure.  | The disclosure of personal financial asset information of political figures and senior government officials to the public.  |
| Budgets.   | Government budgets systems that disclose how public funds are raised and spent show higher levels of transparency and accountability.   |
| Campaign finance.  | Transparency around political financing prevents the negative influence of money in electoral politics.   |
| Climate finance.   | Developed nations collectively provide new and additional financial resources to help developing countries reduce their greenhouse gas emissions and adapt and cope with the effects of climate change.   |
| Extractive industries, including fisheries and forestry. | Sub-soil minerals are deemed public assets in most parts of the world. Fisheries, lands and forests can also be public assets. Governments manage these resources in trust for the people, therefore, the people have a right to know what is being done with their natural wealth. |
| Environment.   | Citizens have to take part in decision-making by government on issues that impact the environment they live in.   |

| Context                  | Organisation-stakeholder relationships   |
|--------------------------|--|
| Electricity.             | Total investments in electricity infrastructure by governments can be significant. Public oversight of these major investments of public resources is critical in a sector that has dramatic impacts on the national economy as well as global and local environmental impacts, public health and quality of life. |
| Financial sector reform. | The current opaque nature of the global financial system attracts proceeds of corruption, stripping critically needed resources out of developing countries.   |
| Open government data.    | The transparency of information on governmental functioning is a crucial component of democratic governance.   |
| Procurement.             | Governments spend between 15% to 30% of the gross domestic product on procurement, notably for essential public services, such as clean water, education and health care. It is estimated that corruption can add more than 20% to the cost of procurement.  |
| Right to information.    | Accountable governments require that citizens have access to the largest possible amount of information held by public authorities.  |
| Security sector.         | Internal security and external defence constitute significant public expenditure by most governments, making the security forces a main competitor for resources in trade off with agricultural, industrial, and social sectors.   |
| Service delivery.        | The delivery of effective education, health and water services is essential to human well-being and economic growth.   |

Adapted from McCarthy (2012).

The literature illustrates that at least some form of fiscal transparency is part of every organisation-stakeholder transparency relationship context in government. An in-depth analysis of every context is beyond the scope of this document and only the contexts which have a direct bearing on service delivery in local government in South Africa will be considered. These contexts will be referred to as budget transparency between local government and citizens and

includes elements from the service delivery context.

Budget transparency is discussed in detail in Section 5.2, starting with a discussion on the pillars for budget transparency in Section 5.2.1 and a discussion on measuring local government budget transparency in Section 5.2.2. Finally, tools to enhance budget transparency, particularly through communication and dissemination of information, are introduced in Section 5.3.

## 5.2 Budget transparency in local government

Transparency can be delineated into two types: (Armstrong, 2005; Welch *et al.*, 2005; da Cruz *et al.*, 2016)

- Demand side - The timely and easy *access* to complete and reliable information of the decision making process, its results and the performance outcomes of public sector organisations by the public; and
- Supply side - The extent to which public sector organisations and officials *disseminate* information about operations, procedures and decision making processes.

Transparency is achieved when information, that enables open and visible decision-making processes, is in the public domain. The use of this information by citizens to voice their needs when decisions are made by government represents the “demand side” of good governance and is referred to as citizen participation (World Bank, 2011). In this study the focus will however not be on the demand side transparency, but rather on the supply side transparency.

The focus of Section 5.2.1 is on the supply side of budget transparency. Section 5.2.2 introduces means of measuring budget transparency in local government before tools to enhance the supply side of budget transparency are introduced in Section 5.3.

In the next section the focus will fall on the pillars of budget transparency.

### 5.2.1 The pillars for budget transparency

Budget transparency is the openness and availability of information about budgets, audits, and related financial policies. Budget transparency can be used as a measure of commitment to revealing the decision making processes within government (Heald, 2012; da Cruz *et al.*, 2016).

The Organisation for Economic Co-operation and Development (OECD) states that budgets are “the single most important policy document of governments, where policy objectives are reconciled and implemented in concrete

terms". The budgets of public sector organisations like local government are based on the financial contributions - mostly taxes - of citizens and must be transparent in such a way that all information relating to how funds are raised, allocated, used and the outcomes of expenditure are accessible in a timely and comprehensible fashion (OECD, 2002; Harrison and Sayogo, 2014).

The OECD Best Practices for Budget Transparency defines ways to enhance budget transparency. The best practices are built upon three pillars as presented in Table 5.2.

**Table 5.2:** The three pillars for budget transparency.

| Periodic reports    | Specific disclosures           | Ensuring integrity                |
|---------------------|--------------------------------|-----------------------------------|
| The budget          | Economic assumptions           | Accounting policies               |
| Pre-budget report   | Tax expenditures               | Systems and responsibilities      |
| Monthly report      | Financial liabilities & assets | Audit                             |
| Mid-Year report     | Non-financial assets           | Parliamentary and public scrutiny |
| Year-End report     | Employee pension obligations   |                                   |
| Pre-election report | Contingent liabilities         |                                   |
| Long-term report    |                                |                                   |

Adapted from OECD (2002) and Caamaño-Alegre *et al.* (2013).

Caamaño-Alegre *et al.* (2013) are of the opinion that these three pillars for budget transparency are too onerous for local government implementation and instead suggests using the IMF<sup>4</sup> Code. Caamaño-Alegre *et al.* (2013) state that the pillars of the IMF Code is very similar to the pillars of the OECD Best Practices, but that the IMF Code is more descriptive.

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<sup>4</sup>The International Monetary Fund (IMF) was started by the United Nations in July 1944 with the aim of building a framework for economic cooperation and global financial stability.

**Table 5.3:** The IMF Code and its pillars.

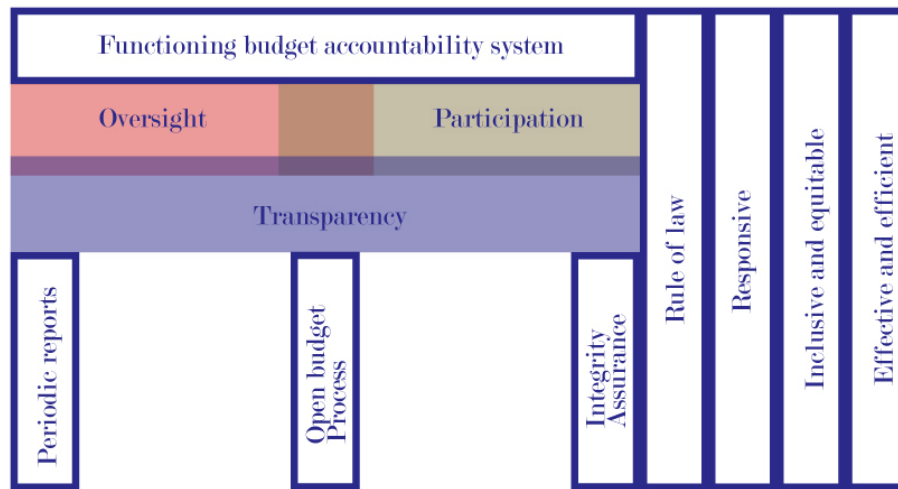
| Pillar                                 | Requirements  |
|--|---|
| Clarity of roles and responsibilities. | A clear distinction between public corporations, the private sector, and the government needs to be established.  |
| Open budget processes.                 | A clear mechanism for the coordination and management of budgetary and extra-budgetary activities within the overall fiscal policy framework needs to exist.  |
| Public availability of information.    | The publication of a periodic report on long-term public finances and accessible information on the purchase and sale of public assets.   |
| Assurance of integrity.                | Mechanisms to monitor follow-up actions recommended by the national auditor. Assessment of fiscal forecasts, the macroeconomic forecasts, and their underlying assumptions by independent experts. Institutional independence of the national statistical body. |

Adapted from International Monetary Fund (2007*a,b*); Caamaño-Alegre *et al.* (2013).

The first pillar, clarity of roles and responsibilities, does not warrant in depth discussion as this study focusses solely on local government.

The three pillars for budget transparency, based mainly on the IMF Code, can now be illustrated as part of a functioning budget accountability system, all of which are key characteristics of good governance. The characteristics of good governance, with transparency expanded, are illustrated in Figure 5.5.

**Figure 5.5:** The characteristics of good governance, including the three pillars for budget transparency.



Adapted from OECD (2002); Reddy *et al.* (2005); Caamaño-Alegre *et al.* (2013); Harrison and Sayogo (2014); International Budget Partnership (2015).

Budget transparency is instrumental in ensuring accountability and for fostering a relationship with all stakeholders, including citizens and investors. More importantly, Caamaño-Alegre *et al.* (2013) state that budget transparency in local government has received increasing attention from international organisations and is proving ideal for testing new systems or processes before implementation at higher levels of government. Measuring local government budget transparency is discussed in Section 5.2.2.

## 5.2.2 Basic measures of local government budget transparency

McCarthy (2012) outlines best practice guidelines in achieving transparency in local government. The guidelines are delineated as follows:

- Initial steps - A minimum for achieving budget transparency;
- More substantial steps - Suggested steps after the initial steps have been implemented; and
- Most ambitious steps - Steps for achieving the highest levels of transparency.

The set of basic best practice guidelines can be used to measure basic transparency in local government. The set of basic best practice guidelines are presented in Table 5.4.

**Table 5.4:** Achieving budget transparency in local government.

| Measure  | Rationale  |
|--|--|
| Publicly available core budget documents.  | Governments that currently produce but do not publish these documents could do so immediately and at little expense.     |
| Public education and marketing initiatives around budget information.  | Education and marketing are necessary to achieve citizen participation.  |
| The availability of budget reports on government websites and at public libraries.   | Increases public access to these reports and avoids unequal access.  |
| Budget reports published in multiple languages.  | Increases public access to reports and avoids unequal access.  |
| Budget reports that are complemented by open data access.  | Facilitates data scrutiny.   |
| Publication and wide dissemination of each document in a timely fashion.   | Late publication of reports denies the public the ability to use the information to engage in decision-making processes. |
| The availability of information regarding the funding and actual performance levels related to education, health and water.  | Aids in expectation management and public scrutiny of goals.   |
| The information should be displayed at its lowest level, i.e. the number of free units of electricity per citizen, and presented in a user-friendly, visual manner so as to be relevant and meaningful to ordinary people. | Citizens will be able to understand the impact of decisions at the lowest level and how that might affect them.          |
| Dissemination of information should be done via multiple mediums, including radio, television, the internet and social media, and public notice boards.  | Increases the accessibility of information.  |
| The existence of easy feedback mechanisms.   | Feedback aids citizen participation.   |

Adapted from McCarthy (2012).



McCarthy (2012) states that best practice guidelines, presented in Table 5.4, not only aids in citizens holding their governments accountable, but also enhances the credibility of decision making and limits corrupt and wasteful expenditure. The guidelines clarify very specifically important requirements for a transparent budget framework. They are:

**Requirement 14:** Budget documents should be made available to the public.

**Requirement 15:** Public education and marketing initiatives around budget information is necessary.

**Requirement 16:** Government websites and public libraries should contain budget documents.

**Requirement 17:** Budget documents should be made available in multiple languages.

**Requirement 18:** Budget documents should be complemented by open data access.

**Requirement 19:** Budget documents should be made available in a timely fashion.

**Requirement 20:** Budget documents should contain information regarding the funding and actual performance levels related to education, health and water.

**Requirement 21:** Budget information should be displayed at its lowest level.

**Requirement 22:** Budget documents should be disseminated via multiple mediums.

**Requirement 23:** Feedback mechanisms should be easy to use and accessible (McCarthy, 2012).

Harrison and Sayogo (2014) state that while transparency is necessary for participation and accountability to take place, it does not automatically follow that transparency will lead to participation and accountability, but that transparency is the easiest of the three to achieve.

A myriad of tools to achieve higher levels of transparency exist, however, the most recent discourse on transparency emphasises the use of information

and communication technology to disseminate information and is therefore the focus of Section 5.3. Section 5.3.1 defines a communication system in relation to transparency, while Section 5.3.2 presents the development and alignment of a public relations and communication strategy with the aim of enhancing transparency. Section 5.3.3 details the use of information and communication technology (ICT) to support, and achieve the objectives of, a public relations and communication strategy and Section 5.3.4 outlines the dissemination of PI as the type of information that needs to be disseminated to enhance transparency.

### 5.3 Tools to enhance budget transparency

Tools to enhance budget transparency can be seen as any method that allows for the release of information regarding all conducts of government in an open and visible manner that increases accountability and participation (World Bank, 2011).

The United Nations Human Settlements Programme (UN HABITAT) and Transparency International state that the promotion of transparency through various tools may mean the difference between cities that are prosperous and inclusive and cities that are in decline and that increase in poverty (UN Habitat and Transparency International, 2004). Furthermore, tools that enhance transparency can:

- Reduce citizen apathy - Stakeholder engagement reduces opportunities for corruption and identifies needs and priorities;
- Increase service delivery - Effective and accessible services become the norm;
- Increase local government revenues - Tax funds are shown to be used effectively and increases the trust of citizens in local government; and
- Raise ethical standards - Instils a sense of accountability in political and professional civil servants.

Transparency has been pushed into the spotlight by the ease with which information can be disseminated through the use of ICT. The use of ICT by public institutions reduces the cost of transparency and increases participation and accountability by reaching more citizens (Bertot *et al.*, 2012; Harrison and Sayogo, 2014).

Communication between government and citizens aid in transparency, where transparency in turn helps to build trust and increase the credibility and the

legitimacy of government (Heald, 2012).

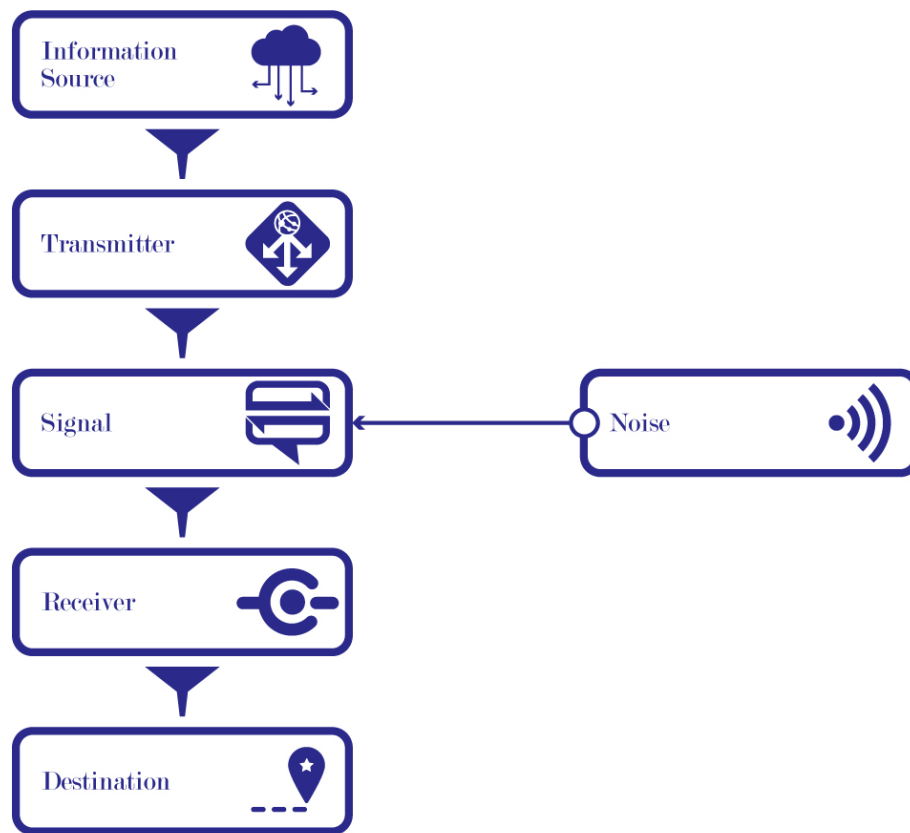
Communication between local government and citizens cannot only take place before and during budget decision making, but should be a constant process as a means of expectation management and to communicate the outcomes of budget expenditure (Hoek, 2005).

The definition of a communication system is presented in Section 5.3.1, followed by a discussion on the development and alignment of a stakeholder focussed communication strategy. ICT as a tool to enhance budget transparency is briefly discussed in Section 5.3.3, while the dissemination of performance information (PI) is discussed in Section 5.3.4.

### 5.3.1 Defining a communication system

Considerable overlap exists between oversight, participation and transparency, but transparency, which includes the communication of information, is the cornerstone for a functioning budget accountability system (Harrison and Sayogo, 2014). Therefore, it is worthwhile to define a communication system before continuing the discussion on fiscal transparency.

In a seminal paper titled “A Mathematical Theory of Communication” Shannon (1948) defined communication systems. His diagram of a general communication system is illustrated in Figure 5.6.

**Figure 5.6:** Diagram of a general communication system.

Adapted from Shannon (1948).

According to Shannon (1948) there are eight steps to all general communication processes. The eight steps are:

1. The forming of the motivation for communication by the information source. The reasoning on why the information needs to be disseminated is contemplated;
2. Further message composition and elaboration by the information source. The information source should ensure all the relevant details are contained in the message before transmission to avoid ambiguity;
3. Message encoding into digital data, written text, speech or pictures by the transmitter. The transmitter may also fulfil the same role as the information source if necessary;

4. The transmission of the encoded message using a channel or medium carrying the signal for communication;
5. Noise is often introduced into the system by intentional or accidental sources and influences the quality of communication;
6. The reception and assembly of the message transmitted over the medium is done by the receiver;
7. Decoding the assembled message may be done by the receiver or at the final destination of transmission; and
8. The interpretation of the message by the final destination of transmission.

Shannon's intention with creating the model was to work towards an optimally designed telephone system, however, the model has been successfully applied to all types of communication systems. Although communication and communication systems encompass almost every part of our daily lives, communication in the context of this study refers to communication between organisations and the public, often referred to as public relations.

An example of applying Shannon's theory to public relations is a scenario where local government is planning to hold an open meeting to gather inputs on a budgeting matter from citizens. The information about the meeting is disseminated through posters and an interested citizen sees the poster en route to work. Unfortunately, the poster has been damaged and information regarding the exact time of the meeting is lost. Shannon's model, and the eight steps when applied to this scenario, would look as follows:

- Steps 1 and 2 - The motivation for communication and message composition is done by local government when the decision was made to hold a public gathering;
- Steps 3 and 4 - The message is encoded in the form of written text and the transmission medium is a poster displayed at a strategic location;
- Step 5 - Noise is unintentionally introduced when the poster gets damaged and crucial information is subsequently lost; and
- Steps 6 to 8 - The reception, decoding and interpretation of the message is done by the citizen.

In this example the transmission medium was not reliable enough to convey the full message and the citizen has not been given the chance to participate in the decision making process.

Technology has reduced the impact of noise in communication systems, but the fast pace of change in technology coupled with the current political and economic climate means that organisations have to not only adapt management processes but also keep communication systems and styles relevant (Verwey, 2015). Technology has also caused what has been termed ‘information overload’. ‘Information overload’ refers to instances where the public gets bombarded with information or advertisements, reducing the overall effectiveness of communication and the transmission of information (Lee *et al.*, 2016).

Kim (2009) and Kim and Lee (2017) state that a desire exists for participation in the decision making process of local government by its citizens and community organisations. This desire translates into a need for higher levels of transparency and accountability from local government that can be enhanced through communication strategies.

A local government that makes information available to the public on how and why decisions are made, increases transparency and reduces the information gap between the organisation and the public. Transparency is enhanced by information and knowledge sharing by local government, not just to citizens but to other sectors and organisations as well, and by using multiple methods of communication. Information and knowledge sharing enables citizens to participate in local government and its decision making processes (Kim, 2009; Kim and Lee, 2017).

Allan and Heese (2011) urge local government in South Africa to develop a specific communication strategy to include communities in informal settlements in the processes of local councils. They add that this will not only serve to include citizens in planning processes and alleviate the frustration of being excluded, but will also deal with the current lack of communication in these areas and the spread of, sometimes false or exaggerated, rumours of corruption, nepotism and mismanagement.

The literature shows that effective communication takes place in a symmetrical fashion where all stakeholders are senders and receivers of information and Verwey (2015) states that South African local government public relations and communication role players will have to be multi-disciplinary in their approach and take the different social and cultural contexts into account when communicating with stakeholders and citizens. Section 5.3.2 is a discussion on developing such a multi-disciplinary approach to public relations and communications.

### 5.3.2 Develop and align a public relations and communication strategy

Public relations and communication is defined as the process that an organisation uses to advance its mission. This process does not solely take place through marketing and general public communication, but takes place through all methods of communication. Communication is not just a function in an organisation but the perceptions created through communication may alter the organisation itself (Verwey, 2015).

Grunig *et al.* (1995) and Grunig (2009) state that public relations are most effective throughout most parts of the world when it follows a set of generic principles and applies them with appropriate variations for local cultural, political, social, and economic conditions. The principles can be summarised as:

- Empowerment of public relations - The public relations manager or chief officer should have access to senior managers and decision makers in an organisation;
- Integrated communication function - Public relations should ideally be handled by a single department in the organisation;
- A separate management function - A dedicated management function for public relations needs to exist to enable prioritisation;
- Headed by a strategic manager rather than a communication technician or an administrative manager who supervises technical services - A dedicated resource, such as a senior manager, is needed to plan public relations;
- Involvement in strategic management - Programmes are needed to communicate to external and internal stakeholders who are affected by the consequences of organisational decisions and behaviours before and after decisions are made;
- Two-way and symmetrical communication - Two-way, symmetrical public relations uses research, listening, and dialogue to manage conflict and to cultivate relationships better than one-way or asymmetrical communication strategies;
- Diverse - Organisations need diverse public relations practitioners that includes men and women from different races, cultures and backgrounds; and
- Ethical - Public relations need to take place ethically and promote responsible decisions and behaviours.

The excellence theory of public relations, developed by Grunig (2008), satisfies the generic principles stated by Grunig *et al.* (1995) and Grunig (2009). The excellence theory was created from a 15-year study of best practices in communication management. The theory incorporates a number of middle-range theories<sup>5</sup> of public relations, including theories of:

- Publics<sup>6</sup>;
- Public relations and strategic management;
- Models of public relations;
- Evaluation of public relations;
- Employee communication;
- Public relations roles, gender, diversity, power, activism, ethics and social responsibility; and
- Global public relations.

The excellence theory has been tested through survey research of heads of public relations, chief executive officers, and employees in more than 300 organisations in countries including the United States, Canada, and the United Kingdom. Qualitative interviews were conducted with heads of public relations, other public relations practitioners, and chief executive officers in 25 organisations (Grunig, 1992; Grunig *et al.*, 1995; Grunig and Grunig, 2000; Grunig, 2008).

The excellence theory states that an organisation must solve the problems and satisfy the goals of all stakeholders in socially acceptable ways in order to fulfil its objectives. An organisation that does not act in this manner will have to deal with pressure to change from stakeholders or stakeholders may act in more deliberate ways that add cost and risk to the organisation and its decisions (Grunig, 1992; Grunig *et al.*, 1995; Grunig and Grunig, 2000; Grunig, 2008).

According to Grunig (2008) satisfying the goals of an organisation in socially acceptable ways consists of the following:

- Organisations should identify publics who might be affected by decisions or publics who would want to influence decision making in order to solve problems that are important to them;

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<sup>5</sup>Middle-range theory is an approach to sociological academic studies aimed at integrating theory and empirical research (Bailey, 1991).

<sup>6</sup>Different definitions of publics exist but for this study we refer to publics as the groups of individual people affected by decisions of an organisation.



- The excellence theory satisfies all the principles of effective public relations as mentioned in this section. A model of strategic management based on the excellence theory is shown in Figure 5.7. The figure is a depiction of a public relations department that subscribes to the excellence theory. The public relations department forms part of the overall strategic management process of an organisation.

The crucial elements of Figure 5.7 are:

- Management decisions, and ultimately the management of the organisation, is connected to the stakeholders and publics by the consequences that

the behaviour of each has on one another, designated by the arrows that flow in both directions in the top right Grunig (2009).

An organisation's decisions may spark a negative reaction in the publics. The negative reaction is labelled as issues that can become a crisis if left unchecked by a lack of communication programmes. Communication programmes are represented by the circle in the middle of the figure and emphasises the use of communication programmes to manage conflict and before decisions are made, where it is often most effective in strengthening relationships (Grunig, 2009).

The model in Figure 5.7 provides a theoretical overview of an effective public relations and communication department in an organisation. Public relations and communication departments may use a variety of tools to achieve the goals of the model. Tools that are mentioned most often in the current literature discourse make use of some form of ICT and are presented in Section 5.3.3, while the dissemination of PI is discussed in Section 5.3.4.

### 5.3.3 Information and communication technology

The term information and communication technology (ICT) is used as an extension of information technology to include all rapidly emerging, evolving and converging computer, software, networking, telecommunications, internet, programming and information systems technologies.

The use of ICT is a form of proactive disclosure and can enhance the trust of citizens in local government. However, it should be noted that a flood of information might overwhelm citizens, creating frustration and disappointment, resulting in negative perceptions of transparency. Appropriate tools are necessary to enhance transparency (De Fine Licht, 2011; da Cruz *et al.*, 2016).

da Cruz *et al.* (2016) state that ICT use for transparency has the ability to create new forms of dialogue and interaction and increase the engagement of citizens in government expenditure programmes that affect them.

Electronic government, or e-government, is the term used to underscore the use of ICT in government entities. E-government entails the support and facilitation of service delivery, information dissemination, citizen engagement and decision making (Scholl, 2008; Feeney and Welch, 2012).

Various methods for the dissemination of information are frequently mentioned in the discourse of transparency (World Bank, 2011; Bertot *et al.*, 2012; Harrison and Sayogo, 2014; da Cruz *et al.*, 2016). The methods most often mentioned are ICT and e-government related and include:

- Websites - A collection of related web pages where information can be retrieved by citizens;
- Blogs - Blogs are websites in which content is dispatched in a structured format via a series of postings usually focused on a particular subject;
- Social media - Social networking services allow users to build online communities where they can connect, share information and interact with other users;
- Wikis - Wikis are highly collaborative, community-based websites that allow users to add new or edit existing content dynamically; and
- Mashups - A mashup is a resource or service that combines the data or functionality of two or more other sources to create a new application, resource, or service.

Feeney and Welch (2012) state that early models of e-government predicted that government organisations would be able to increase the sophistication of the systems from basic information dissemination to more interactive and integrated systems. Citizen participation is a key element of e-government brings about the expectation that greater engagement will better inform government decision making and enhance democratic processes. It has also been identified as a requirement for a budget framework that promotes transparency in Sections 3.2.2 and 4.3.3.

ICT creates the possibility of information rich and interactive methods to allow citizen participation to take place. Feeney and Welch (2012) identify two dimensions of complexity in the use of ICT for citizen participation:

- The range of participation channels or the number of different technology channels that an organisation uses; and
- The intensity or frequency of use.

These two dimensions are positively correlated and need to be taken into consideration by decision makers when a citizen participation strategy is created. Feeney and Welch (2012) conclude that the increased use of ICT for citizen participation results in an improved perception of the democratic governance process and local government as a whole.

Informing and communicating with citizens in an easy and accessible manner as to the effectiveness of local government budget expenditure can successfully be accomplished by the proper dissemination of performance information. The dissemination of performance information through ICT is presented in Section 5.3.4.

### 5.3.4 Disseminating performance information

The term performance information (PI) is used to refer to the results of performance measurement. Performance measurement attempts to evaluate an organisation in a holistic way that goes beyond each division or department and has already been identified in Section 4.4.1 as a requirement for the budget framework. Performance management uses PI to aid decision making with the aim of aligning the strategic and operational objectives of an organisation (vom Brocke and Rosemann, 2010).

Performance measurement and management involves three main activities:

- The selection of goals;
- The consolidation and communication of measurement information relevant to the organisation's achievement of these goals; and
- The interventions made by managers in light of this information.

A discussion on all the activities involved with performance measurement and management is beyond the scope of this document and the focus will instead be on the dissemination of PI to aid transparency.

According to Melkers and Willoughby (2005*b*) PI and outcomes in local government budgets needs to be communicated across branches of government and to citizens as an incentive to staff and management. The communication of PI to citizens should take place in a symmetric fashion to enable citizen participation and ultimately integrate the views of citizens into budget decision making. Citizen participation and the integration of citizen views acts as positive feedback, reinforcing the incentive to include PI in budgets and aiding in a flexible approach to problem solving and decision making. This positive feedback loop would also result in more knowledgeable citizens and even higher participation rates.

The implementation of performance measurement has a positive impact on communication within and across branches of government, while also aiding discussion about the results of government activities and services. The use of performance measurement during budgeting adds value to budgeting decisions by providing relevant information about results, costs and activities (Melkers and Willoughby, 2005*b*).

A study by Laswad *et al.* (2005) found that the use of the internet by local government entities in New Zealand to release financial information to the public can be predicted by certain factors. The factors influencing internet financial reporting by local government were:

- The levels of debt to equity - Higher levels of debt were associated with increased reporting;
- Municipal wealth - More municipal wealth indicated more frequent reporting;
- Media visibility - Higher levels of media coverage resulted in more frequent reporting and higher levels of transparency; and
- Type of local government - City and urban municipalities were more likely to use the internet for financial reporting than district municipalities. The level of internet access may be a factor.

A meta-study by Boulianne (2009) testing the relationship between internet use and political engagement verifies the findings of Laswad *et al.* (2005) that the level of internet access plays a vital role. Boulianne (2009) found that a positive correlation exists between the increased use of the internet and political engagement, especially as online news becomes the dominant source of news. The internet provides access to an increasingly large set of diverse views and political information and reduces the cost of access in monetary and other terms.

Data analysis, similar to mashups using open data, that results in appropriate PI holds promise. The Internet has created a cost-effective and efficient mechanism for communication between government and citizens, and therefore may be close to a perfect medium for releasing PI and other monitoring functions in local government (Laswad *et al.*, 2005).

Open data or the release of public sector information (PSI) is the idea that local government data should be freely available to everyone to use and republish without restrictions in the form of copyright, patents or other mechanisms of control (Brito, 2008; Gray, 2014; Conradie and Choenni, 2014).

A group called the PSI Alliance which consists of industry giants, such as Google, LexisNexis and TomTom, are major proponents of open data. Google states that its interest in being a member of the PSI Alliance is to help public sector organisations recognise the benefits of making public data freely available. The PSI Alliance considers economic growth and wealth creation as the main benefit of open data (Gray, 2014).

Gray (2014) and Conradie and Choenni (2014) state that open data has several advantages in terms of local government transparency and efficiencies. These advantages are:

- Increased government efficiency;

- Increased citizen participation;
- Better decision making;
- Enabling cost saving exercises;
- Easier partnerships with the private sector;
- Increased citizen participation;
- More effective inter-departmental communication; and
- A smaller and leaner government.

Conradie and Choenni (2014) state that data is mainly gathered at local government level and that the systems and processes need to be in place at this level for the release of PSI to truly unlock value.

Conradie and Choenni (2014) investigate the reasons why some public sector organisations might be reluctant to release PSI. The reluctance pertains to:

- A Fear of false conclusions;
- Financial effects; and
- Opaque ownership and unknown data locations.

**False conclusions** can be drawn from data when the public is left to make conclusions with limited knowledge around the data gathering process or the statistical methods used (Conradie and Choenni, 2014).

**Financial effects** may be a barrier to the release of PSI when an organisation earns an income from the data. For some departments in local government this might be a substantial amount (Conradie and Choenni, 2014).

**Opaque ownership and unknown data locations** refers to data that exists without a department or person willing to take ownership of the data. On the other hand, a department or person that takes ownership might not always be aware of the value of data and not keep track of its location (Conradie and Choenni, 2014).

Important aspects when considering the release of PSI, according to Conradie and Choenni (2014), are:

- Data storage - The data location and storage model (centralised or decentralised);

- The use of data - The way that data is used;
- The source of data - The way data is obtained; and
- The suitability for release - The restrictions on release, such as copyright.

In general, data sets should not contain any personally identifiable information and data should not be released without reason as there are still costs associated with data gathering, storage and the subsequent release (Conradie and Choenni, 2014).

Williams (2006) argues that local government has certain responsibilities where citizen participation is concerned, adding that local government officials have to acquire the requisite skills and knowledge of citizen participation, civil society capacity development and local government and consistently evaluate their efforts.

The literature shows that communication in the public sector and in general requires a broad range of understanding of different mechanisms. Improving communication performance does not happen in a single event, but through sustained improvements based on planned and well-executed interventions (Pandey *et al.*, 2006).

Citizen participation along with transparency and oversight increases confidence in local governments and leads to stability and prosperity (Harrison and Sayogo, 2014; Reddy *et al.*, 2015).

Harrison and Sayogo (2014) state that budget transparency in local government is the foundation of citizen participation and accountability.

With the key theories and elements of budget transparency reviewed, it is possible to, once again, look at the framework requirements gathered during this process. The requirements identified thus far in Chapter 5 provide essential guidelines for an accurate budget framework that enhances transparency. The requirements are discussed in Section 5.4.

## 5.4 Framework requirements

In addition to the requirements gathered from Chapter 3 (R1 - R5) and Chapter 4 (R6 - R12), Chapter 5 identified several requirements. The requirements identified specifically address the communication of budget information in order to make it more transparent. The requirements from this chapter (R13-R23) are summarised in Table 5.5.

**Table 5.5:** Framework requirements identified in Chapter 5.

| Requirement no. | Requirement  | Section |
|-----------------|--|---------|
| R13             | Input processes that allows for interaction between government and citizens (Freeney and Welch, 2012).   | 5.1.2   |
| R14             | Budget documents should be made available to the public (McCarthy, 2012).  | 5.2.2   |
| R15             | Public education and marketing initiatives around budget information is necessary (McCarthy, 2012).  | 5.2.2   |
| R16             | Government websites and public libraries should contain budget documents (McCarthy, 2012).   | 5.2.2   |
| R17             | Budget documents should be made available in multiple languages (McCarthy, 2012).  | 5.2.2   |
| R18             | Budget documents should be complemented by open data access (McCarthy, 2012).  | 5.2.2   |
| R19             | Budget documents should be made available in a timely fashion (McCarthy, 2012).  | 5.2.2   |
| R20             | Budget documents should contain information regarding the funding and actual performance levels related to education, health and water (McCarthy, 2012). | 5.2.2   |
| R21             | Budget information should be displayed at its lowest level (McCarthy, 2012).   | 5.2.2   |
| R22             | Budget documents should be disseminated via multiple mediums (McCarthy, 2012).   | 5.2.2   |
| R23             | Feedback mechanisms should be easy to use and accessible (McCarthy, 2012).   | 5.2.2   |

A discussion on the objectives achieved in this chapter is presented in Section 5.5.



## 5.5 Chapter conclusion

In Chapter 5 the focus fell strongly on the achievement of the primary research objective of this study (PO1): how to develop a budget framework that will enhance transparency with the aim of managing citizens' expectations to reduce customer dissatisfaction protests.

The chapter specifically aimed to answer RQ4: What are the best practice guidelines and requirements for communicating budget expenditure to citizens in local government? It did so by defining and outlining the three pillars of a functioning budget accountability system:

- Oversight;
- Citizen participation; and
- Transparency.

Oversight was detailed in Section 5.1.1. Oversight and accountability can be seen as two sides of the same coin and it was shown that accountability and oversight exists together to strengthen one another. Citizen participation was discussed in Section 5.1.2 and citizen participation was shown as the key focus area of participation in a local government communications context. Section 5.1.3 presents transparency and how transparency forms the foundation for oversight, participation and, ultimately, a functioning budget accountability system.

Considerable overlap exists between oversight, participation and transparency, but transparency, which includes the communication of information, is the cornerstone for a functioning budget accountability system. This entails the effective communication of budgetary decision making and expenditure. The research found that performance measures need to be communicated freely and in an accessible manner as part of a PI strategy in order to enhance budget transparency.

Budget transparency was discussed in more detail in Section 5.2 by first delineating budget transparency into two types; demand side transparency, where information is requested, and supply side transparency, where information is disseminated. The three pillars for budget transparency - periodic reporting, an open budget process and assurance of integrity - was discussed in Section 5.2.1, before the basic measures of local government budget transparency is presented in Section 5.2.2. The basic measures of local government was used to detail the minimum steps for achieving budget transparency in local government.

Tools for enhancing budget transparency, particularly through enhanced communication, were introduced in Section 5.3 and helped identify a series of requirements for the budget framework. These are summarised in Section 5.4 as R13-R16.

Budget transparency is instrumental in ensuring accountability and for fostering a relationship with all stakeholders, including citizens and investors. More importantly, Caamaño-Alegre *et al.* (2013) states that budget transparency in local government has received increasing attention from international organisations and is proving ideal for testing new systems or processes before implementation at higher levels of government.

The literature review focussed primarily on aspects pertaining to the management of expectations by enhancing budget transparency. Customer satisfaction was described as a function of service delivery and expectation management. Chapter 2 addressed, in part, SO1 and RQ1, which asked: What is the nature and extent of customer dissatisfaction protests at local government level?

It would be impossible to address all the causes for customer dissatisfaction protests within the scope of this document, as noted in Chapter 2. However, what becomes clear from the available literature is that the lack of communication within government entities and between government and the citizens of South Africa is one of the causes and a major contributing factor to most of the other causes.

Chapter 3 aimed to answer RQ2, which asked: What does the government landscape entail, including the legislative work for co-operative governance? The literature review revealed that the necessary legislation for effective communication between various levels of government and its citizens exist, but that the implementation is lacklustre. Based on the legislation reviewed in Chapter 3, five requirements were identified.

The aim of this study is to develop a framework that communicates the effectiveness and efficiency of local government budget expenditure back to the citizens. Chapter 4 identified that a performance-based budgeting process, that allows for inputs from stakeholders, may be the best approach for public sector budgeting in South Africa. Therefore, Chapter 4 answered RQ3: What are the best practice guidelines and requirements for budgeting in local governments? In addition hereto a number of framework requirements in line with SO4 (Table 1.1) were also identified and summarised.

The literature review identified 16 requirements in total, in line with SO4: identifying the framework requirements, that need to be considered during the

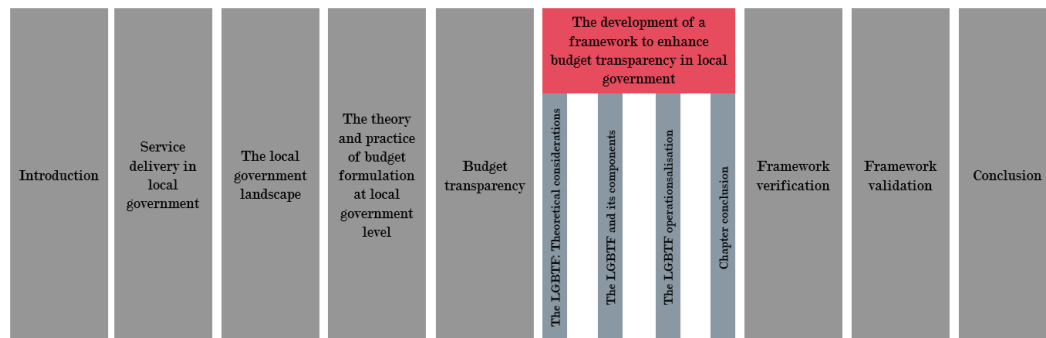
development of the framework. The requirements can be grouped as part of a budget formulation activity or as part of budget transparency and communication.

The three pillars for budget transparency and the minimum steps for achieving budget transparency in local government form the basis for the framework developed in Chapter 6.

## Chapter 6

# The development of a framework to enhance budget transparency in local government

“Jy kla oor die toestand van ons land... wel fokken doen iets daaromtrent.”  
— Fokopolisiekar - Brand  
Suid-Afrika



In this chapter a framework to enhance budget transparency in local government will be presented. This framework is built on the literature reviewed in the preceding chapters and aims to fulfil the requirements gathered in these chapters in line with the systems engineering approach. This chapter addresses the first primary objective of this study (PO1) by developing a framework to enhance budget transparency in local government with the aim of managing expectations and reducing customer dissatisfaction or service delivery protests.

The conceptual framework developed in this chapter will be referred to as the Local Government Budget Transparency Framework (LGBTF). The

purpose of the LGBTF is not to address all the causes of the “Rebellion of the poor” but to ensure transparency of budgetary decision making and expenditure in local government, as recognised by the preceding literature. The transparency of budgetary decision making and expenditure that allows for citizen participation will help with expectation management.

The objectives of this chapter will aim to achieve the following:

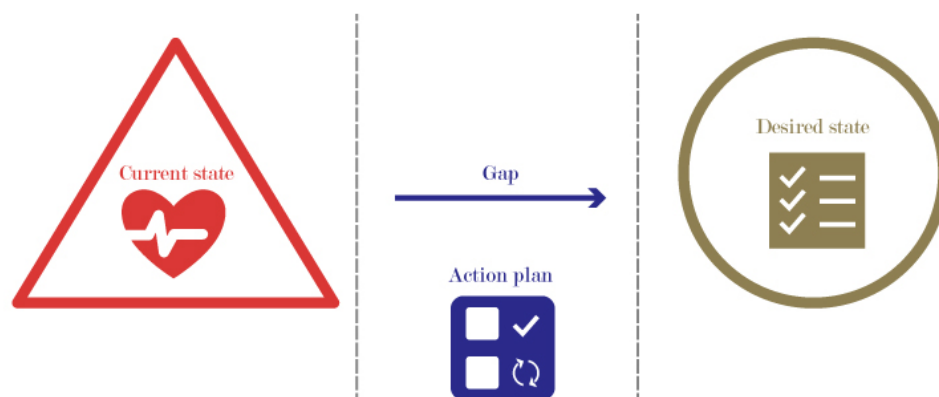
- Discuss the design process of the LGBTF - Section 6.1;
- Introduce the LGBTF and discuss all its components - Section 6.2; and
- Present practical and generic operationalisation guidelines - Section 6.3.

The discussion on the design process of the LGBTF is done by reviewing the theoretical considerations of the framework in Section 6.1.

## 6.1 The South African Local Government Budget Transparency Framework: Theoretical considerations

During the conceptualisation of the LGBTF, the principles of gap analysis were used. A gap analysis involves the comparison of the actual performance with the potential or desired performance of an organisation or process and highlights areas that need improvement. Finally, a gap analysis identifies the activities necessary to achieve the desired level of performance. A generic gap analysis is depicted in Figure 6.1.

**Figure 6.1:** A gap analysis approach.



The discussion on the design process of the LGBTF is done by reviewing the theoretical considerations of the framework and detailing the desired state of budget formulation in Section 6.1.1, as well as the desired state of budget transparency and communication in Section 6.1.2. The detailing of the desired states are accompanied by the activities, references in the literature, and the rationale for inclusion in the framework.

### 6.1.1 The desired state of budget formulation

Performance-based budgets that include elements from participatory budgets offer potential for facilitating informed political and managerial choices. The key to balancing the expectations and demands of stakeholders with the performance of an organisation is through the effective communication of the performance of local government, along with the budgetary constraints it faces.

The primary activities associated with the desired state of budget formulation at local government level in South Africa are detailed in Table 6.1, while the secondary activities associated with the desired state of budget formulation at local government level in South Africa are detailed in Table 6.2. The split between primary and secondary activities are in line with the design of the LGBTF and discussed in Section 6.2.

**Table 6.1:** The primary activities associated with the desired state of budget formulation.

| Activity & Reference  | Rationale   |
|---|---|
| Formulate the budget with elements of participatory budgeting. Sections 4.3.3 and 4.4.                                | Unifies the direction of government across departments and programmes;<br>Increases the fiscal health of the organisation;<br>Increases communication among decision-makers and stakeholders;<br>Improves accountability; and<br>Improves effectiveness and efficiency. |
| Consider staff and resource capacity and ensures support of political and administrative stakeholders. Section 4.4.1. | Avoids manipulation of PI; and<br>Implementation and execution can not take place effectively without the support of all stakeholders and should avoid overburdening staff.   |
| Integrate with appropriate PI that is independently assessed. Section 4.4.1.  | Enhances the credibility of the budget and the budgeting process.   |

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| Activity & Reference   | Rationale  |
|--|--|
| Produce the budget through an open process that allows for citizen participation. Sections 4.3.4, 4.4 and 5.1.2. | Public participation relies on citizens feeling that their views are taken into account and that a legitimate process is followed by a legitimate, or trustworthy, local government.   |
| Avoid mechanically linking performance results and resource allocation. Section 4.4.1.                           | Mechanically linking performance results to resource allocation makes it difficult to investigate the underlying causes of poor performance and allows for manipulation to take place. |

**Table 6.2:** The secondary activities associated with the desired state of budget formulation.

| Activity & Reference  | Rationale  |
|---|--|
| Use incentives to motivate civil servants and politicians. Section 4.4.1.                               | Incentives can be used to increase performance; and<br>PI and outcomes in local government budgets needs to be communicated across branches of government and to citizens as an incentive to staff and management.   |
| Ensure a credible and sustainable budget that provides some form of integrity assurance. Section 4.4.2. | A sustainable budget balances resource expenditure with the available resources; and<br>In order to ensure the credibility of a budget it needs to be independently assessed.  |
| Allow for elements of participatory budgeting. Sections 4.3.4, 4.4 and 5.1.2.                           | Increases public understanding of the budgeting process;<br>Improves public ownership of local government assets;<br>Enhances democracy and transparency;<br>Improves public participation and communication; and<br>Decreases the perception of being marginalised. |
| Adapt to the current context, while being able to evolve. Section 4.4.1.                                | A single successful model is not possible and the budgeting approach needs to be able to evolve but also needs to be adapted to the current context.   |

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Transparency is achieved when information, that enables open and visible decision-making processes, is in the public domain. The use of this information by citizens to voice their needs when decisions are made by government is key to citizen participation and aids in the legitimacy of local government.

The implementation of performance measurement has a positive impact on communication within and across branches of government, while also aiding discussion about the results of government activities and services. The use of performance measurement during budgeting adds value to budgeting decisions by providing relevant information about results, costs and activities, including how funds are raised and expended. The desired state of budget transparency and communication is presented in Section 6.1.2.

### **6.1.2 The desired state of budget transparency and communication**

The desired state of budget transparency and communication at local government are mutually beneficial and the activities associated with the desired state of transparency and communication are outlined in Table 6.3, before a more detailed view of each, along with the rationale of the activities, are presented in Tables 6.4 and 6.5.

**Table 6.3:** The desired state of budget transparency and communication.

| <b>Area</b>    | <b>Activity</b>   |
|----------------|---|
| Communication. | Ensure an ongoing communication programme exists;<br>Clearly identify publics;<br>Start early in the budgeting process and ensure citizen participation is part of the communication programme; and<br>Ensure symmetric communication with publics in order to cultivate relationships.   |
| Transparency.  | Ensure easy feedback mechanisms exist;<br>Publicly disseminate core budget documents in a timely fashion and in multiple languages;<br>Disseminate of information via multiple mediums;<br>Ensure public education and marketing initiatives around budget information;<br>Complement budget reports with open data access;<br>Ensure the availability of information regarding the funding and actual performance levels related to education, health and water; and<br>Display information at its lowest level. |



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The activities associated with the desired state of budget transparency and communication, detailed in Table 6.4, form part of the communication focus area. The activities also form the primary component of budget transparency and communication in the LGBTF.

**Table 6.4:** The primary activities associated with the desired state of budget transparency and communication.

| Activity & Reference  | Rationale  |
|---|--|
| Ensure an ongoing communication programme exists. Section 5.3.2.                      | Organisations should foster relationships with ongoing communication programmes to avoid costly litigation, regulation, legislation, and negative publicity.   |
| Clearly identify publics. Section 5.3.2.  | It is crucial to identify the consumers of information but also the citizens who are needed to participate in the budget decision making process; and<br>Subject specific vocabulary might not always be able carry across the correct message to citizens and must also be considered when identifying the publics. |
| Start citizen participation early in the budgeting process. Sections 5.1.2 and 5.3.2. | Citizen participation acts as positive feedback, reinforcing the incentive to include PI in budgets and aiding in a flexible approach to problem solving and decision making; and<br>The positive feedback loop would also result in more knowledgeable citizens and even higher participation rates.                |
| Communicate symmetrically with publics. Section 5.3.2.                                | The communication of PI to citizens should take place in a symmetric fashion to enable citizen participation; and<br>Cultivates good working relationships   |
| Ensure the existence of easy feedback mechanisms. Sections 5.2.2 and 5.3.2.           | Easy feedback mechanisms aids in citizen participation, a testament to the importance of symmetric communication.  |

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**Table 6.5:** The secondary activities associated with the desired state of budget transparency and communication.

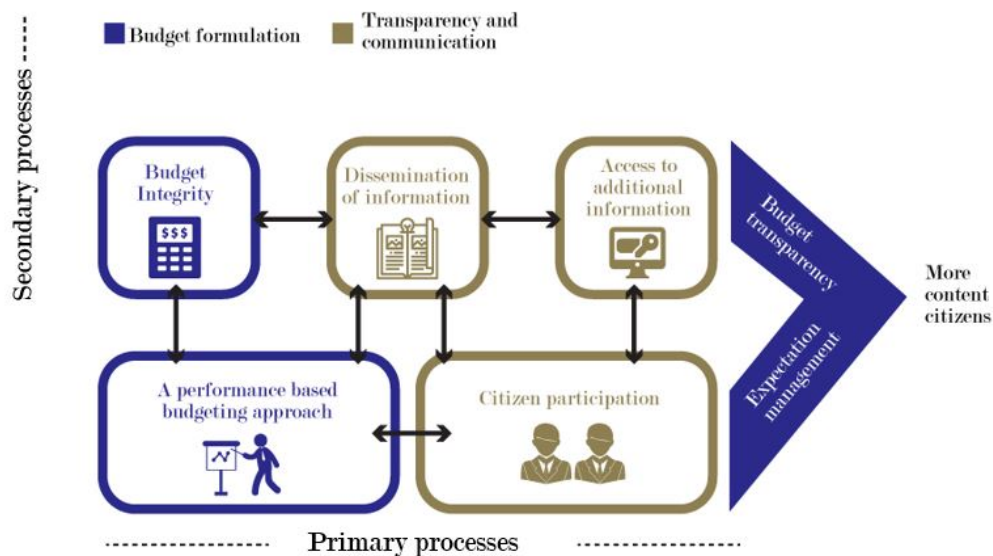
| Activity & Reference  | Rationale  |
|---|--|
| Publicly disseminate core budget documents in a timely fashion and in multiple languages. Section 5.2.2.  | Citizens would be unable to participate in a truly productive manner if they do not have the necessary information at their disposal in a timely fashion; South Africa has 11 official languages, but not all of these languages will form part of the targeted demographics of a local government area; and Increases public access to reports and avoids unequal access. |
| Disseminate information via multiple mediums. Section 5.2.2.  | Increases public access to reports and avoids unequal access; and Including radio, television, the internet and social media, and public notice boards at libraries and other locations.   |
| Ensure public education and marketing initiatives around budget information. Section 5.2.2.   | Citizens need to be able to understand the information and local governments should assist in this regard.   |
| Complement budget reports with open data access. Section 5.2.2.   | PI use aids budget transparency and expectation management. Facilitates data scrutiny and credibility.   |
| Ensure the availability of information regarding the funding and actual performance levels related to education, health and water. Section 5.2.2. | Aids in expectation management and public scrutiny of goals.   |
| Display information at its lowest level. Section 5.2.2.   | The number of free units of electricity per citizen, and presented in a user-friendly, visual manner so as to be relevant and meaningful to ordinary people; and Citizens will be able to understand the impact of decisions at the lowest level and how that might affect them, a testament to the importance of appropriate PI.  |

The LGBTF and its processes are discussed in more detail in Section 6.2.

## 6.2 The South African Local Government Budget Transparency Framework and its components

The LGBTF, illustrated in Figure 6.2, is essentially a value chain<sup>1</sup> consisting of primary and secondary processes.

**Figure 6.2:** The Local Government Budget Transparency Framework (LGBTF).



The primary and secondary processes of the LGBTF consist of different activities. The primary activities of the LGBTF emphasise that a performance based budgeting approach should be used for budget formulation and that all budget related activities should take place along with citizen participation throughout. The secondary activities emphasise budget integrity, the dissemination of information, and access to additional information. The interdependencies and importance of the activities vary with the context.

The interdependencies between the activities of budget formulation and transparency and communication are what makes the LGBTF an expectation

<sup>1</sup>A value chain is a set of activities that an organisation needs to perform in order to deliver a valuable product or service to the market. The activities vary between industries and between products or services.

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management tool that can be used to address some of the causes of the customer dissatisfaction protests that form part of the “Rebellion of the poor”.

Icons are used to facilitate easy identification and to visually link the processes of the LGBTF in Figure 6.2 with those in Table 6.6. The first two rows of Table 6.6 are related to budget formulation, while the third, fourth and fifth rows are related to transparency and communication.

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**Table 6.6:** The LGBTF processes and activities.

| Order     | Process   | Description  | Activities  | Grounding |
|-----------|---|--|---|-----------|
| Primary   | A performance based budgeting approach<br> | A Performance based budgeting approach not only emphasises measuring inputs and outputs to quantify efficiency and effectiveness but it also aims to improve communication between stakeholders. | Formulate with elements of participatory budgeting;<br>Evaluate organisational capacity;<br>Integrate with appropriate PI;<br>Avoid mechanically linking PI to resource allocation; and<br>Produce through an open process with citizen participation.                                  | Table 6.1 |
| Secondary | Budget integrity<br>                       | Citizens need to assess and validate the decisions and actions of governments, making it easier for citizen participation to take place.   | Independently assess budget;<br>Ensure support from all stakeholders;<br>Use incentives to drive performance;<br>Ensure a credible and sustainable budget; and<br>Adapt to the current context, but allow for evolution.  | Table 6.2 |
| Primary   | Citizen participation<br>                 | Trust in government by citizens improve when a platform exists where citizens are allowed to participate in local government decisions and performance evaluation on a regular basis.            | Start early in the budgeting process;<br>Clearly identify publics;<br>Ensure public education and marketing initiatives around budget information;<br>Ensure symmetric communication that allows for easy feedback mechanisms; and<br>Ensure an ongoing communication programme exists. | Table 6.3 |
| Secondary | Dissemination of information<br>         | Transparency is achieved when information, that enables an open and visible decision-making process, is in the public domain.  | Publicly disseminate core budget documents;<br>Disseminate in multiple languages;<br>Disseminate via multiple mediums;<br>Dissemination in a timely manner; and<br>Ensure effective and efficient dissemination.  | Table 6.4 |
| Secondary | Additional information access<br>        | Access to additional information enables citizens to detect corruption and hold governments accountable.   | Display information at its lowest level;<br>Complement with open data access; and<br>Ensure information regarding funding and performance of key areas are available.   | Table 6.5 |

The activities to achieve the desired state should be operationalised in a manner that ensures they occur alongside existing activities in the budgeting cycle in order to be easily accepted and to fully realise the value of the framework in practice. The activities, their operationalisation and the framework interrelation are discussed in more detail in Section 6.3.

### 6.3 The Local Government Transparency Framework operationalisation

The LGBTF consists of the budget formulation processes and the transparency and communication processes, but the implementation of the LGBTF should ideally take place with both processes in mind. The implementation of the LGBTF is Illustrated in Figure 6.3.

The operationalisation of the LGBTF is based on the phases in a typical budget cycle, as detailed in Chapter 4. The phases are repeated here for easy reference:

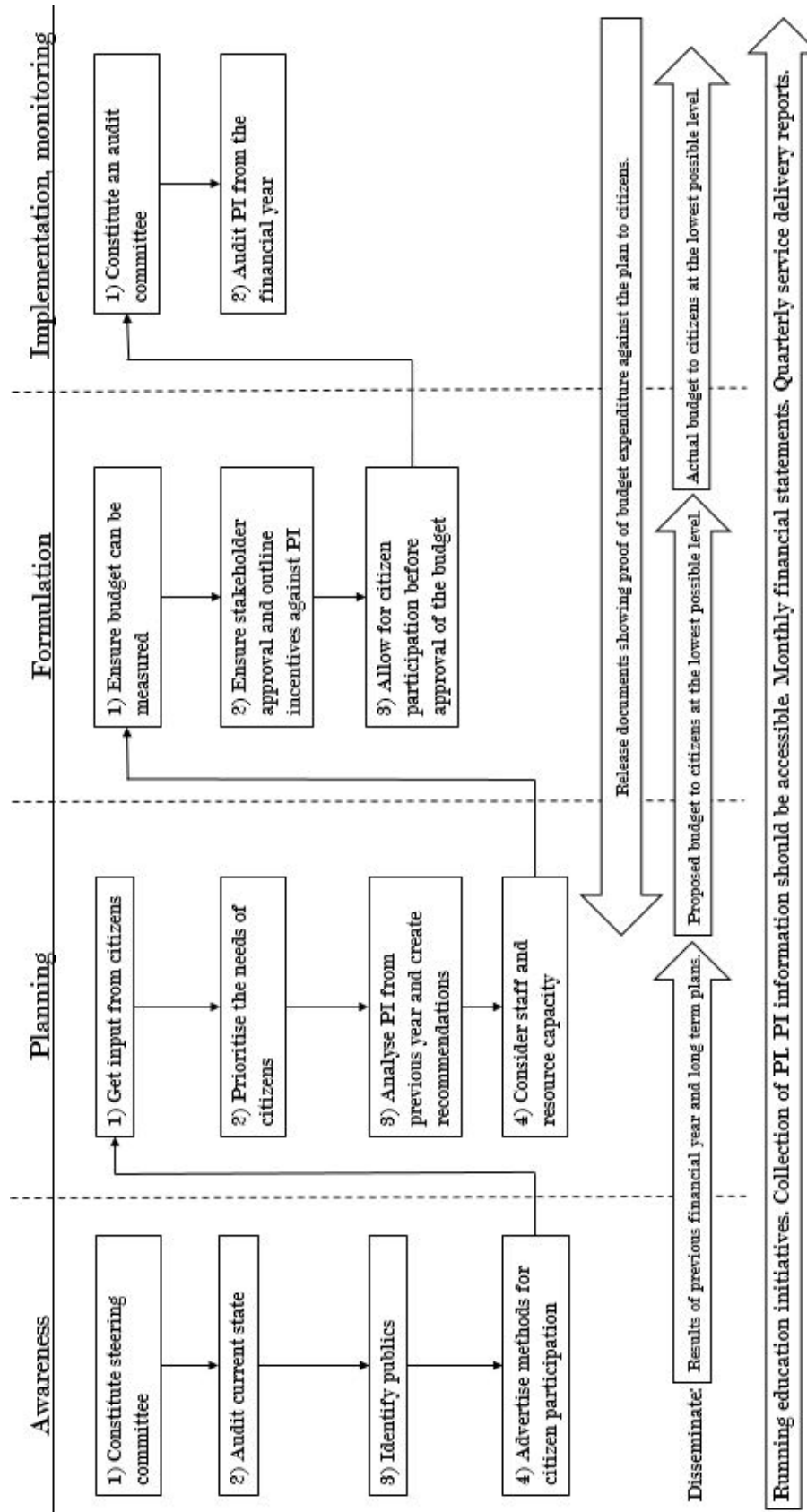
1. Planning;
2. Formulation;
3. Implementation; and
4. Monitoring.

The phases were used as the foundation for the phases of operationalisation of the LGBTF to ensure that the activities to achieve the desired state take place at the appropriate time. However, the last two phases of a typical budget cycle are combined as considerable overlap exists in terms of budget transparency.

The planning phase is preceded by an awareness phase, which is where the state of budget transparency is measured in order to determine whether activities to enhance budget transparency is necessary.

The operationalisation of the LGBTF consists of four phases and a number of associated operationalisation activities. Each of these phases and associated activities are presented in more detail in the following sections.

Figure 6.3: The operationalisation of the LGBTF.



### 6.3.1 Awareness

The most important decision during the Awareness phase is whether activities to enhance budget transparency is necessary.

The Awareness phase consists of four activities to achieve the desired state. The activities and their descriptions are detailed in Table 6.7.

**Table 6.7:** The activities during the Awareness phase.

| Activities   | Description   |
|--|---|
| 1) Constitute a steering committee.                                      | In an attempt to ensure stakeholder acceptance of the process, all possible stakeholders should be identified, consulted and represented in the steering committee. Typical stakeholders would include decision makers from budget formulation, transparency and communication, as well as oversight and cooperation representatives. |
| 2) Determine the current state of budget transparency and communication. | The current state of budget transparency in the local government organisation has to be audited in order to identify the gaps that need attention to achieve the desired state. The gaps in the current state of budget transparency and communication can be identified by using the generic check list in Table 6.8.                |
| 3) Determine the publics for communication.                              | The identification of the publics for communication is a crucial step to ensure that any subsequent communication has the desired effect and is as effective as possible.   |
| 4) Advertise methods for citizen participation in the budgeting process. | Citizens need to be made aware of opportunities to participate in the budgeting process well ahead of time.   |

Table 6.8 provides a generic check list to assist the steering committee in identifying the current state of budget transparency in a local government organisation and subsequently assists in identifying the gaps to overcome in order to be at the desired state of budget transparency and communication.



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**Table 6.8:** Identifying the gaps in achieving budget transparency and communication.

| Area           | Characteristics  |
|----------------|--|
| Budget.        | <p>Is the budget based on a performance informed budgeting approach?</p> <p>Does the budget considers staff and resource capacity?</p> <p>Is the budget supported by political and administrative stakeholders?</p> <p>Is the budget integrated with appropriate PI that is independently assessed?</p> <p>Was the budget produced through an open process that allows for citizen participation?</p> <p>Does the budget avoid mechanically linking performance results and resource allocation?</p>   |
| Communication. | <p>Does an ongoing communication programme exist?</p> <p>Has the publics been clearly identified?</p> <p>Is citizen participation started early in the budgeting process?</p> <p>Do communication methods form a symmetrical system, i.e. does communication take place in both directions?</p>  |
| Transparency.  | <p>Do easy feedback mechanisms exist?</p> <p>Are core budget documents released in a timely fashion and in multiple languages?</p> <p>Does information dissemination take place via multiple mediums?</p> <p>Are there public education and marketing initiatives around budget information?</p> <p>Are budget reports complemented by open data access?</p> <p>Is information regarding the funding and actual performance levels related to education, health and water made available?</p> <p>Is information displayed at its lowest level?</p> |

The identification of the gaps through the questions in Table 6.8 are also used during the validation of the framework in Chapter 7.

The audit in the current state of budget transparency and communication precedes the identification of the publics, where the citizens are identified in order to ascertain the necessary language and vocabulary for effective communication with citizens. The identification of the publics has an influence on

the mediums that will be used to advertising methods for citizen participation. Citizen participation is the first step in the planning phase and is detailed in Section 6.3.2.

### 6.3.2 Planning

The needs of citizens are considered, prioritised and decisions are made on how to address the needs in the coming financial year. Commitments for the current financial year needs to be carried over to the new financial year and also needs to be considered during this phase. Organisations must review their budgets as part of a planning exercise for the new financial year. This review process should allow for inputs from all stakeholders throughout.

The Planning phase consists of five activities to achieve the desired state. The activities and their descriptions are detailed in Table 6.9.

**Table 6.9:** The activities during the Planning phase.

| Activities  | Description  |
|---|--|
| 1) Get inputs from citizens around their needs and expectations, including the needs around PI. | Citizens should be allowed to participate in the budgeting process from as early as possible.  |
| 2) Prioritise the needs of the citizens.  | Citizens who lack basics such as food and shelter care less for other infrastructure projects and the basics need to be identified and prioritised before other projects.                          |
| 3) Analyse PI from the current financial year and recommend actions to improve performance.     | PI needs to inform decision making, but is also a vital tool to identify when intervention is necessary to avoid making losses on projects.  |
| 4) Consider staff and resource capacity.  | A well designed plan does not mean anything if the resources for execution are not available.  |
| 5) Release the proposed budget to citizens at the lowest possible level.                        | Local government must get input from citizens in order to prioritise needs and manage expectations. Releasing information at a level that all citizens can understand assists in gathering inputs. |

At the end of the planning phase, and after citizens have been allowed to peruse the proposed budget, the proposed budget can be accepted and the final formulation can take place. The formulation phase is detailed in Section 6.3.3.

### 6.3.3 Formulation

The budget is developed based on the decisions made during planning, including the amount of income needed to balance the planned expenditure. The budget is approved at the end of the formulation phase. Once the planning phase is complete and the needs and priorities of citizens have been sufficiently considered, the budget is formulated into an actionable plan. The planned budget should contain more details of income and expenditure, as well as a timeline showing milestones for the financial year for all the planned projects.

The Formulation phase consists of five activities to achieve the desired state. The activities and their descriptions are detailed in Table 6.10.

**Table 6.10:** The activities during the Formulation phase.

| Activities   | Description   |
|--|---|
| 1) Ensure that the planned budget can be measured against the appropriate PI.  | Performance management tools, such as performance indicators and budgeting, help to increase the legitimacy of public sector organizations.   |
| 2) Ensure the budget and PI capturing methods are supported by political and administrative stakeholders and outline incentives against the PI to motivate civil servants and politicians. | The availability of performance data does not guarantee that the information will be used for decision making. The actual and effective use of PI in rational planning and decision making is dependent on civil servants and stakeholders. |
| 3) Allow citizens to give inputs around the proposed budget.   | Budgetary participation and objective communication can increase acceptance of budgetary objectives and the value of achieving those objectives, thereby enhancing management performance.  |
| 4) Ensure PI information is accessible to citizens.  | Citizen participation and the integration of citizen views acts as positive feedback, reinforcing the incentive to include PI in budgets and aiding in a flexible approach to problem solving and decision making.                          |
| 5) Release the actual budget after adoption at the lowest possible level to citizens.  | Citizen participation along with transparency and oversight increases confidence in local governments and leads to stability and prosperity   |

Once all stakeholders agree to the proposed budget, the approved budget

can be implemented. Constant monitoring and evaluation takes place alongside implementation in order to intervene as quickly as possible if necessary. Implementation, monitoring and evaluation is discussed in Section 6.3.4.

### 6.3.4 Implementation, monitoring and evaluation

The approved budget is implemented, monitored and evaluated from the start of the financial year to the end as an on going process. The implementation, monitoring and evaluation phase is an on going process to ensure that the budget is executed according to plan. Organisations must have systems in place that track as many aspects as possible with as much detail as possible.

The Implementation, monitoring and evaluation phase consists of five activities to achieve the desired state. The activities and their descriptions are detailed in Table 6.11.

**Table 6.11:** The activities during the Implementation, monitoring and evaluation phase.

| Activities   | Description   |
|--|---|
| 1) Ensure that the collection of PI is taking place as frequently as possible. | PI should be at its lowest possible level, which necessitates frequent collection and also aids in information not becoming old.                                      |
| 2) Release reports on a monthly and quarterly basis.                           | Compile and release financial statements on a monthly basis and compile and release service delivery reports on a quarterly basis.                                    |
| 3) Constitute an audit committee.  | The majority of its members should be from outside of the municipality to ensure that the committee is independent and can operate in an open and transparent manner. |
| 4) Audit the PI from the financial year through the audit committee.           | Citizens need to trust the PI to be able to participate in decision making.   |
| 5) Release the results of the financial year and long term plans to citizens.  | Release proof of budget expenditure against the planned expenditure to citizens.  |

The LGBTF combines budget formulation and budget transparency and communication in an effort to alleviate some symptoms of the “Rebellion of the poor” through expectation management and enhancing understanding of the processes and constraints involved.

## 6.4 Chapter conclusion

Chapter 6 attempted to develop a framework to enhance budget transparency in local government in South Africa, as stipulated by SO4. The development and conceptualisation was detailed by reviewing the theoretical considerations in Section 6.1

The purpose of the LGBTF is not to address all the causes of the “Rebellion of the poor” but to ensure transparency of budgetary decision making and expenditure in local government. The transparency of budgetary decision making and expenditure that allows for citizen participation will help with expectation management.

The LGBTF, its processes and accompanying activities were presented in Section 6.2. The processes of the LGBTF consist of different activities, with the primary processes consisting of primary activities and the secondary processes consisting of secondary activities. The primary activities of the LGBTF emphasise that a performance based budgeting approach should be used for budget formulation and that all budget related activities should take place along with citizen participation throughout. The secondary activities emphasise budget integrity, the dissemination of information, and access to additional information. The interdependencies and importance of the activities vary with the context.

The interdependencies between the activities of budget formulation and transparency and communication are what makes the LGBTF an expectation management tool that can be used to address some of the causes of the “Rebellion of the poor”.

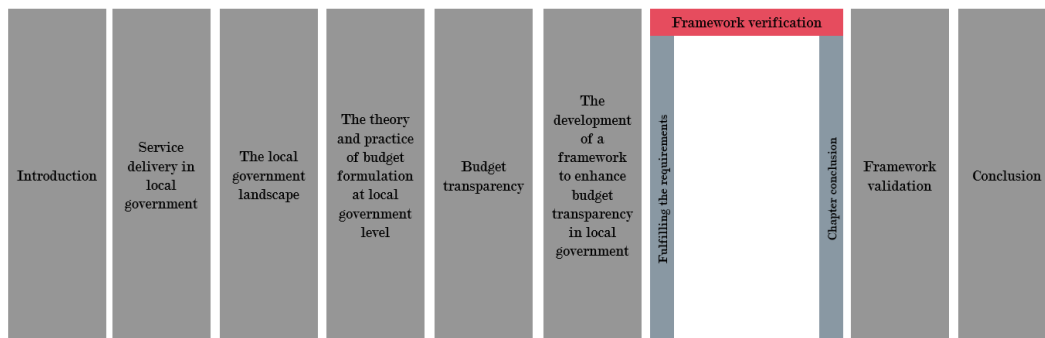
Finally, the operationalisation of the LGBTF was presented in Section 6.3. The LGBTF is not only a theoretical model to be used within academic confines but a practical mechanism that should ultimately become a tool that can be used by local government practitioners in South Africa. The operationalisation aims to facilitate the adoption of the framework and also aids in validation.

# Chapter 7

## Framework verification

“Ons veg om oorlewing en  
bewys ons bestaan.”

— Die Heuwels Fantasties -  
Oorlewing 101



Chapter 7 deals with the verification of the framework as demanded by SO5 and in partial fulfilment of PO2: verifying and improving the developed framework (Chapter 6). Verification of the framework is crucial to ensure the framework is developed correctly and entails investigating whether the framework has been developed according to the requirements identified during the literature review. To this end, this chapter will check each phase of the LGBTF against the requirements gathered in the previous chapters and stipulated in Table 5.5. It will also explicitly indicate whether the requirements have been met.

Section 7.1 summarises the requirements as identified in the preceding theoretical chapters and explained in the preceding sections of this chapter.

## 7.1 Fulfilling the requirements

The fulfilment of the requirements for a transparent budget framework, as gathered and summarised in Table 5.5, are explicitly stated in this section. This is crucially important if the framework is to become a tool for government officials to use in practice and not just an academic exercise. Table 7.1 summarises the fulfilled requirements.

**Table 7.1:** Fulfilled requirements.

| Requirement No. | Requirement  | Fulfilment of the requirements  | Section  |
|-----------------|--|---|----------|
| R1              | Transparency, responsibility and accountability performed by honest officials as determined by Section 195 of the Constitution (Parliament of the Republic of South Africa, 1996; Batho Pele White Paper, 1997). | The framework recommends that the budget be introduced through an open process with citizen participation. Information should be displayed at its lowest level, complemented with open data access and information regarding funding and performance of key areas should be easily available. | 3.1; 3.3 |
| R2              | The promotion of social and economic development and the encouragement of community involvement with the issues that affect them (Nembambula, 2014; Duvenhage and Venter, 2009).                                 | The framework recommends ensuring support from all stakeholders, using incentives to drive performance and ensuring a credible and sustainable budget that promotes the social and economic development of citizens.  | 3.1      |
| R3              | The achievement of national priorities through fiscal and administrative processes as determined by the Intergovernmental Relations Framework Act (Republic of South Africa, 2005)                               | The framework recommends that a credible and sustainable budget be developed in line with national priorities identified in the Constitution and the Intergovernmental Relations Framework Act.   | 3.2.1    |

| Requirement No. | Requirement  | Fulfilment of the requirements  | Section         |
|-----------------|--|---|-----------------|
| R4              | Citizen participation and the development of structures and a culture that enables dialogue and engagement (White Paper on Local Government, 1998; Section 19 of Local Government Municipal Structures, 1998; Local Government Municipal Systems Act, 2000). | The framework recommends symmetric communication that allows for easy feedback mechanisms and ensures that an ongoing communication programme exists.   | 3.2.2;<br>4.3.4 |
| R5              | A performance management system must be adopted that ensures community involvement with setting performance measures (Municipal Systems Act, 2000).  | The framework takes a performance based budgeting approach to measure inputs and output and improve communications.   | 3.4             |
| R6              | Budgetary participation and objective communication in the formulation of the budget (Brownell and McInness, 1986; Kung and Huang, 2013).  | The framework recommends that the core budget documents be made available and accessible to all citizens. It should be formulated with elements of participatory budgeting that start early in the budgeting process. | 4.3.3           |
| R7              | Performance information needs to be an integral part of the budget process (Curristine <i>et al.</i> , 2007; Anderson, 2008).  | The framework recommends that the appropriate performance information (PI) be integrated with the budget.   | 4.4.1           |



| Requirement No. | Requirement   | Fulfilment of the requirements   | Section |
|-----------------|---|--|---------|
| R8              | Mechanical approaches that link performance results to resource allocation should be avoided (Curristine <i>et al.</i> , 2007; Anderson, 2008). | The framework recommends that mechanically linking PI to resource allocation should be avoided.  | 4.4.1   |
| R9              | Independently assessed performance information (Curristine <i>et al.</i> , 2007; Anderson, 2008).   | The framework recommends that the budget be independently assessed to ensure a credible and sustainable budget.  | 4.4.1   |
| R10             | Staff motivation and resource capacity are critical (Curristine <i>et al.</i> , 2007; Anderson, 2008).  | To ensure staff motivation and resource capacity the framework recommends and overall evaluation of organisational capacity, integrating the budget with the appropriate PI and avoiding mechanically linking PI to resource allocation. To get buy-in from staff, the budget should be produced through an open process with citizen participation and incentives should be used to motivate staff. | 4.4.1   |
| R11             | Reform and implementation of budget needs to be adaptable (Curristine <i>et al.</i> , 2007; Anderson, 2008).                                    | The framework states the budget should be able to adapt to the current context, but allow for evolution.   | 4.4.1   |
| R12             | A credible and sustainable budget that provides some form of integrity assurance (Harris, 2008).  | The framework recommends that the budget be independently assessed to ensure a credible and sustainable budget.  | 4.4.2   |

| Requirement No. | Requirement  | Fulfilment of the requirements  | Section |
|-----------------|--|---|---------|
| R13             | Input processes that allows for interaction between government and citizens (Freeney and Welch, 2012). | The framework recommends ensuring that an ongoing communication programme exists.                             | 5.1.2   |
| R14             | Budget documents should be made available to the public (McCarthy, 2012).                              | The framework recommends ensuring that budget documents are made available to the public.                     | 5.2.2   |
| R15             | Public education and marketing initiatives around budget information is necessary (McCarthy, 2012).    | The framework recommends ensuring public education and marketing initiatives around budget information exist. | 5.2.2   |
| R16             | Government websites and public libraries should contain budget documents (McCarthy, 2012).             | The framework recommends ensuring that government websites and public libraries contain budget documents.     | 5.2.2   |
| R17             | Budget documents should be made available in multiple languages (McCarthy, 2012).                      | The framework recommends ensuring that budget documents are made available in multiple languages.             | 5.2.2   |
| R18             | Budget documents should be complemented by open data access (McCarthy, 2012).                          | The framework recommends ensuring that open data access is facilitated.                                       | 5.2.2   |
| R19             | Budget documents should be made available in a timely fashion (McCarthy, 2012).                        | The framework recommends ensuring that budget documents are disseminated in a timely manner.                  | 5.2.2   |

| Requirement No. | Requirement  | Fulfilment of the requirements  | Section |
|-----------------|--|---|---------|
| R20             | Budget documents should contain information regarding the funding and actual performance levels related to education, health and water (McCarthy, 2012). | The framework recommends ensuring that budget documents contain information regarding the funding and actual performance levels related to education, health and water. | 5.2.2   |
| R21             | Budget information should be displayed at its lowest level (McCarthy, 2012).   | The framework recommends ensuring that budget information is displayed at its lowest levels.  | 5.2.2   |
| R22             | Budget documents should be disseminated via multiple mediums (McCarthy, 2012).   | The framework recommends ensuring that budget documents are disseminated via multiple mediums.  | 5.2.2   |
| R23             | Feedback mechanisms should be easy to use and accessible (McCarthy, 2012).   | The framework recommends ensuring that feedback mechanisms are easy to use and accessible.  | 5.2.2   |

The above table indicates that the LGBTF meets the requirements identified in the literature reviewed.

## 7.2 Chapter conclusion

The purpose of this chapter was to verify the requirements for a transparent LGBTF in line with PO2: verifying and improving the developed framework (Chapter 6). The requirements were compared to, either a specific stage within the framework or the use of the framework conceptually. These were verified to have been satisfied by the framework, its use and its intention.

The chapter also verified the framework processes according to the desired state of budget formulation and the desired state of budget transparency and communication and found that the budget activities are in line with both the aforementioned.

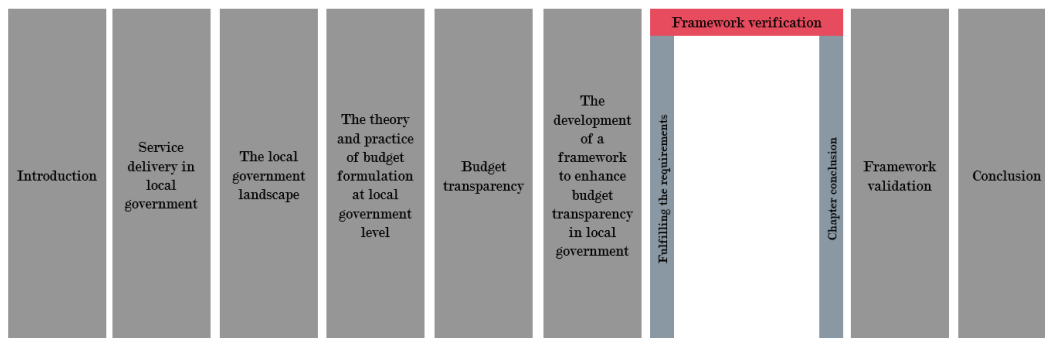
The framework will now be validated and grounded in practice in Chapter 8.

## Chapter 8

# Framework validation

“Ons veg om oorlewing en  
bewys ons bestaan.”

— Die Heuwels Fantasties -  
Oorlewing 101



This chapter aims to validate the framework through structured interviews with subject matter experts and in a local government setting (SO6). Consensus exists about the need for validation of research studies for the results to be used effectively. It is argued that research questions cannot be truthfully answered without validation and a lack of validity is a major constraint to the solving of complex problems (Nanda *et al.*, 2000).

The goal of this chapter is to validate the Local Government Budget Transparency Framework (LGBTF), proposed in Chapter 6, in managing the expectations of citizens, a key cause of the “Rebellion of the poor” as presented in Chapter 2. The chapter addresses the second part of PO2: to verify, **validate** and improve the developed conceptual framework.

The chapter sets out with an introduction and the presentation of validation considerations, in Section 8.1, leading to the methodology of validation for this

study in Section 8.1.1. Section 8.2 details both the validation objectives and the expected outcomes. The validation context is detailed in Section 8.3 and the results are then described in detail in Section 8.4. Finally, the undertaken framework improvements resulting from the validation are presented in Section 8.5.

## 8.1 Introduction and validation considerations

Bryman *et al.* (2014) emphasises that validity is the most important aspect of research. Validating research ensures the integrity of conclusions and whether the research output addresses the investigated concept. Validation strengthens the link between the purpose and context of the research project and research conclusions.

Validity is defined by Gaber and Gaber (2010) as a process of testing the research findings against the already existing knowledge in the world. Validation provides no absolute assessments, but are context-specific. Validation improves confidence that the developed measure or method is able to address the identified problem.

### 8.1.1 Validation methodology

The validation of a framework can be viewed as a specialised topic within the epistemology<sup>1</sup> of research, with four different views on the sources and justification of knowledge (Frey and Dym, 2006). The four views are summarised in Table 8.1.

**Table 8.1:** Four different views on the sources and justification of knowledge.

| View                       | Description  |
|----------------------------|--|
| Foundationalism.           | Some instances of knowledge are basic and validation can take place by relating new instances to basic beliefs.                                  |
| Relativism.                | Knowledge cannot be validated in an objective way and that biases are introduced by the researcher and must be considered as part of validation. |
| Naturalistic epistemology. | The empirical study of how validation takes place through the conversion of data into theories.  |

---

<sup>1</sup>Epistemology is concerned with possibilities, nature, sources and limitations of knowledge in the field of study.

| View                      | Description  |
|---------------------------|--|
| Epistemology of practice. | New models, frameworks and methods are validated through tacit knowledge that cannot be easily codified. |

Adapted from Frey and Dym (2006); Stimie and Vlok (2015).

The validation of this study will rely on the validation methodologies used as part of the epistemology of practice. A detailed discussion on the roots and development of the epistemology of research falls outside the scope of this study. However, some validation principles, methodologies and requirements have been found to be relevant in the current theoretical discourse (Argyris, 1991, 2002; Stimie and Vlok, 2015). The validation principles, methodologies and requirements are:

- The testability of the new theory or model:
  - A specific context in which the framework can be applied or implemented for validation can be defined;
  - The desired results of the application or the implementation can be defined; and
  - The action through which the impact of the theory or the application of the framework will be evaluated can be defined.
- The internal consistency of the new theory or model;
- The congruence between the new framework and espoused theory; and
- The successful validation of the new framework can be defined.

Epistemology of practice often requires the researcher to validate models, theories and frameworks within the context of a single environment. Argyris (2002) emphasises that the validation of frameworks in business, management and organisational research takes place through Double-loop learning. Double-loop learning can be described as a self-correcting system, where observations and measurements are collected after a cycle to determine if certain aspects of the system are still valid or if variables or steps can be tweaked in the hope of achieving better outcomes. Adjustments are made based on the collected data before the cycle starts again while collecting data on effectiveness and corrective measures are taken once more.

The objectives and expected outcomes of the validation of the LGBTF is discussed in Section 8.2, followed by a discussion on the context of validation in Section 8.3.

## 8.2 Validation objectives and expected outcomes

The objective of validation is to complete the validation process and to comply with all generally accepted academic standards and requirements as briefly referred to in Section 7.1. The quantification of the extent to which validation objectives are met is an impossible task in a study that is not necessarily based on empirical research methods. This study requires a qualitative approach to evaluate the extent to which validation objectives are met and field research through case studies, along with feedback from subject matter experts, are used to achieve this task.

It is expected that the effective operationalisation of the LGBTF within the chosen validation context will contribute to budget transparency within local government in South Africa and serve as an expectation management tool, ultimately reducing the “Rebellion of the poor”. An experimental control environment could not be obtained and prepared prior to the operationalisation of the LGBTF within the chosen validation context. Therefore, it is impossible to measure the complete impact of the LGBTF and its operationalisation before the end of this study. The inability to complete this task is recognised as a limitation and noted in Chapter 8.

In the next section the validation context and boundaries are described in more detail.

## 8.3 The validation context and boundaries

Various variables were identified and considered during the formulation of the validation context for the LGBTF that could potentially have an impact on the effectiveness of the framework. The variables considered were:

- Political ideology of the municipality;
- The size of the municipality;
- The current state of transparency of the municipality; and
- The general state of affairs at the municipality.

However, after studying the research done by Sedmihradska and Haas (2012) the conclusion was reached that none of the variables can be considered boundaries for the effective implementation of the LGBTF in local government.

Sedmihradska and Haas (2012) identifies a range of studies which conclude that better transparency is associated with lower budget deficits and lower

public debt. The studies were conducted in multiple countries with different political ideologies and makes use of different indicators for fiscal performance and transparency. Sedmihradska and Haas (2012) could not identify any proof that a significant negative relationship exists between budget transparency, as measured by the Open Budget Index, and the budget deficit or public debt of governments. Therefore, there are no identified boundaries where the LGBTF would not be able to function as an expectation management tool.

The Auditor-general reported in 2015-2016 that only 19% of municipalities in South Africa obtained a clean audit report and municipalities with qualified opinions represented 57% of all municipalities in South Africa (Auditor-General of South Africa, 2017).

The City of Cape Town Metropolitan municipality is one of eight metropolitan municipalities in South Africa and is the only metropolitan municipality that received a clean audit in 2016/17. Clean audits have been awarded to the City of Cape Town since 2007 (Auditor-General of South Africa, 2017).

In line with the characteristics of case study research identified by Yin (1994) and referred to in Section 7.1, the aim of case study research is not only to explore certain phenomena, but to understand them within a certain context. It was important to gain an in-depth understanding of current practices in a real world setting as well as best practices as identified in the literature.

Operationalisation in totality is beyond the scope of this study, but multiple methods are used to validate the proposed framework, starting with a brief discussion on case studies in Section 8.3.1. Section 8.3.3 provides an overview of face validation and Section 8.3.2 provides an overview of structured interviews. Face validation and structured interviews are used as data collection methods within the case study research context for validation.

### 8.3.1 Case studies

Case studies, detailed in Chapter 1, present an ideal methodology for validating frameworks within a specific context. According to Bryman *et al.* (2014) case studies attempt to investigate a specific case before a theoretical analysis of the received data is undertaken in order to determine how well the data underpins the theory of the study.

The validation of case study research is often comprised of a single case study focussing on understanding the dynamics in a specific context (Eisenhardt, 1989; Hussey and Hussey, 1997; Stimie and Vlok, 2015). According to Yin (2013), case study research has the following characteristics:



- Case study research aims to understand and explore phenomena within a certain context;
- Case study research typically commences without a set of questions and without knowing the limits of the context; and
- Case study research makes use of multiple methods of data collection which may be both qualitative and quantitative.

Eisenhardt (1989) also states multiple data collection methods can be used in case study research and that these can be combined. Denzin (2012) advocates this approach and describes it as triangulation, stating that this approach leads to greater validity and reliability than a single data collection methodology.

Triangulation may refer to the use of multiple data sources - qualitative and/or quantitative - in the same study to validate and strengthen a theory. Triangulation may also refer to a strategy for justifying and underpinning knowledge by gaining additional knowledge. Both references are valid and depends on the context of the study (Flick *et al.*, 2004; Hussein, 2015).

Structured interviews is where data collection takes place through the asking of questions in a structured manner and is discussed in Section 8.3.2. Structured interviews have the added effect of allowing for face validation to take place and is discussed in Section 8.3.3.

### 8.3.2 Structured interviews

Structured interviews are used to test if the framework is clearly capturing what it intends to address. Structured interviews are characterized by standardized questions. This entails that the questions are identical and read out in the same sequence for each participant. Structured interviews therefore ensure that occurring variation is linked to true variation and not to variation because of asking or recording questions differently (Bryman *et al.*, 2014).

Bryman *et al.* (2014) state that face-to-face interviews hold significant advantages over telephonic interviews or mailed questionnaires. The advantages are:

- Inconclusive responses can be avoided by responding to signs of confusion or unease can easier be detected;
- Additional material can be made available and explained; and
- The quality of the data is higher because participants are more engaged.

Group interviews are also advised against by Bryman *et al.* (2014) because of the prevalence of group effects such as the suppression of individual perceptions differing from the groups view, uncritical thinking of group member's point of views, and discomfort due to hierarchical relationships.

The advantages of face-to-face interviews over other methods highlighted above lead to the decision to use structured face-to-face interview questions in the following sequence:

- Presentation of the research methodology, including background, problem statement, and approach of the study;
- Presentation of the framework, containing an explanation of each step and their interrelations in the framework;
- Discussion of possible questions or misunderstandings; and
- Issuing of questionnaire to collect the required data for the validation of the framework.

The questions are used as a data collection tool but also serves to ensure face validity of the LGBTF and incorporates questions to investigate the efficacy of the proposed framework to address the stated objective. Details of the questions can be found in Appendix B but, in summation, the questions were structured as follows:

- The problem of the research study is stated first;
- The opinion of the participant is requested on whether the proposed framework has the potential to increase budget transparency; and
- Questions regarding the strong points and weak points of the framework, questions about architectural aspects, and a final question about improvement suggestions are then addressed.

Participants are asked to rate the architectural aspects are presented on a scale from 1 to 7, where 1 is very poor and 7 is very good. It addresses five elements:

- The ease of understanding the framework;
- The logic of the framework;
- The congruence between the participant's and the researcher's understanding of the step contents;
- The possibility of improvements after its implementation; and

- The recognition of necessary requirements and structures and whether the framework addresses these.

Face validation is presented in Section 8.3.3

### 8.3.3 Face validation

Face validity of a framework is established by judging whether the framework measures what it intends to measure and if the measurement of the concept appears appropriate at first sight. Therefore, face validity can be seen as the first measure of validity before any other validity criteria is viable (Churchill, 1979; Jooste, 2014; Kriege *et al.*, 2016).

Hardesty and Bearden (2004) and Sargent (2005) defines face validation as a process where knowledgeable people are allowed to provide feedback on whether a framework is a reasonable approach to addressing a problem.

Face validity should be the first step to the justification of knowledge and the feedback can be effectively used in a Double-loop learning system before further validity measures are undertaken. Face validity returns the most value when experienced individuals are allowed to participate in the exercise (Jooste, 2014; Kriege *et al.*, 2016).

Face validity for this study can be defined as the opinion of budget methodology, budget transparency and public participation experts in the potential efficacy of the LGBTF to address the “Rebellion of the poor”. Structured interviews are used to achieve face validity of the LGBTF and was discussed in Section 8.3.2, however, additional validity tests should be conducted in future research to ensure true validity of the framework.

The results of the validation process is presented in Section 8.4

## 8.4 Validation results

The objectives of this Section is firstly to validate the LGBTF within the context of local government and use the knowledge gained through validation to improve the LGBTF with a more refined operationalisation process.

Section 8.4.1 presents an outline of the current methodology for budget transparency and communication in The City of Cape Town. The background of the participants are presented in Section 8.4.2 in order to highlight the participant’s familiarity with the concepts. The interview responses are presented in Section 8.4.3.

### 8.4.1 The current state of budget transparency and communication in a local government context

The City of Cape Town publishes and disseminates an Integrated Development Plan (IDP) and budget time schedule annually that outlines its budget processes and time lines in detail. The complete document, as provided by the City of Cape Town can be found in Appendix A.

The generic check list to assist in identifying gaps to overcome in order to be at the desired state of budget transparency and communication, detailed in Section 6.3.1, is used alongside the Integrated Development Plan (IDP) and budget time schedule to assess the current state of budget transparency and communication in a local government context. The outcomes from the use of the check list to assess the current state of budget transparency and communication at the City of Cape Town is presented in table 8.2.

**Table 8.2:** Identifying the gaps in achieving budget transparency and communication in a local government context.

| Area    | Characteristics  | Result   |
|---------|--|--|
| Budget. | <p>Is the budget based on a performance informed budgeting approach?</p> <p>Does the budget considers staff and resource capacity?</p> <p>Is the budget supported by political and administrative stakeholders?</p> <p>Is the budget integrated with appropriate PI that is independently assessed?</p> <p>Was the budget produced through an open process that allows for citizen participation?</p> <p>Does the budget avoid mechanically linking performance results and resource allocation?</p> | <p>The City of Cape Town shows all the characteristics of transparency pertaining to the area of budgets, but some gaps exist. The identified gaps are: Citizen participation is restricted to the IDP review process, which only takes place every 5 years; and</p> <p>The budget is integrated with the minimum PI as prescribed by law.</p> |

| Area           | Characteristics   | Result   |
|----------------|---|--|
| Communication. | Does an ongoing communication programme exist?<br>Has the publics been clearly identified?<br>Is citizen participation started early in the budgeting process?<br>Do communication methods form a symmetrical system, i.e. does communication take place in both directions?  | The City of Cape Town shows all the characteristics of transparency pertaining to the area of communication and an established symmetrical communication method exists.  |
| Transparency.  | Do easy feedback mechanisms exist?<br>Are core budget documents released in a timely fashion and in multiple languages?<br>Does information dissemination take place via multiple mediums?<br>Are there public education and marketing initiatives around budget information?<br>Are budget reports complemented by open data access?<br>Is information regarding the funding and actual performance levels related to education, health and water made available?<br>Is information displayed at its lowest level? | The City of Cape Town shows all the characteristics of overall budget transparency, but the capturing of PI in order to display information at its lowest level is resource intensive and cannot be adhered to at this time. The dissemination of information through various mediums and in multiple languages is well documented and the existence of an open data portal ensures the public is able to scrutinise budget information. |

The background of the participants are presented in Section 8.4.2 in order to highlight the participant's familiarity with the concepts.

### 8.4.2 Background of the interview participants

Establishing validity relied heavily on the expertise of the participants chosen for the validation process and the participants should have a very broad knowledge of the current practices and best practice guidelines for budget for-

mulation and budget transparency and communication in local government.

The selection of participants were based on the participant's knowledge of certain aspects of the framework. The format of the interviews had a one to one structure with each interviewee attending a presentation by the author followed by a question and answer session. Participants were encouraged to interrupt the presentation with questions to increase the value of the interviews. The questions were aimed at validating the framework and extracting the expert's views on the applicability of the framework, together with their own opinions, apprehensions and recommendations.

Interviews were conducted with subject matter experts on budgeting formulation, citizen participation and budget transparency and communication in the City of Cape Town, as well as an independent political communications expert. The interview participants are:

- A policy strategist in the Mayor's Office, particularly budget policy pertaining to revenue and expenditure;
- An IDP guidelines specialist in the Organisational Policy and Planning department, particularly pertaining to citizen participation;
- A manager from business reporting and financial transparency;
- A manager from digital communication from the Communication department; and
- An independent political communications expert and media practitioner.

The following section presents the responses of the participants and the outcomes of the interviews. The interviews were approached in line with the policy for responsible research conduct of the University of Stellenbosch.

### 8.4.3 Interview responses

The responses from the interviews are summarised per question in this section, while the complete interview responses can be found in Appendix B. The questions were asked in an open manner, allowing participants to address the content of later or prior questions.

#### **The Potential of the Framework to Address the Stated Problem**

The responses of the participants demonstrate endorsement regarding the potential of the framework as an expectation management tool. The framework shows value as guidance to support the budget formulation, communication and transparency practices in local government entities in South Africa.

The lack of political will to implement best practices in local governments in South Africa was highlighted as a major obstacle to the potential of the Framework being adopted. One participant stated: “The City of Cape Town has an excellent service delivery record, yet still sees an above average number (compared to other local governments in South Africa) of service delivery protests.”

### **Strong points**

The participants are asked to identify strong points of the proposed framework.

A significant strong point of the framework is that it agreed with current best practices being observed and only minor tweaks were foreseen for operationalisation.

Participants were also optimistic about education initiatives and the benefits they can provide to current transparency and communication programmes. The independent communications expert was encouraged by the proposal to get buy-in from citizens from the get-go. This not only avoids the misdirection of marketing and education material but also allows for government to hold citizens accountable to budget decisions as they had the opportunity to give input. The presentation and dissemination of budget information to citizens in an accessible and easily understandable format was viewed as an attainable objective that could make a significant impact.

The use of PI during budget formulation is extremely valuable and efforts are made to use a performance-based budgeting approach as far as possible, however, the lack of measurements across the board makes it difficult to fully realise a performance based budgeting approach at this time.

### **Weak points**

The participants are asked to identify weak points in order to detect possible fundamental defects that could influence the potential of the framework to truly address the identified problem.

The IDP is not accurately represented in the operationalisation of the framework. The IDP is fundamentally important because it underlines the expenditure strategy of local governments and therefore informs the expenditure allocation of the budget. Furthermore, the bulk of citizen participation takes place during public debates during the initial discussions around the IDP and during the IDP amendment process. This could perhaps be an opportune

event to also engage people on the budget.

Noted as a strong point of the framework, the use of PI during budget formulation is extremely valuable and efforts are made to use a performance-based budgeting approach as far as possible, however, the lack of measurements across the board makes it difficult to fully realise a performance based budgeting approach at this time. Participants familiar with current best practices for budgeting in South Africa were sceptical of the attainability of a performance-based budgeting approach at the level of detail advised by best practices from the current literature discourse, particularly where resources are extremely limited.

Various strategy documents also exist in local governments that cannot be adequately represented by the framework, however, the framework does not aim to capture every detail, but rather the outline of the processes involved in budget formulation, transparency and communication.

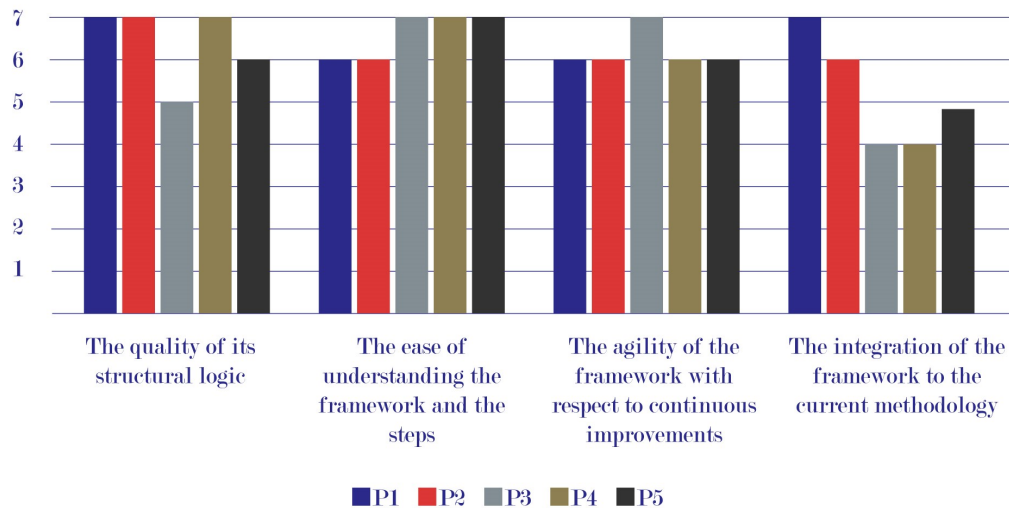
### **Architectural aspects**

The architectural correctness of the proposed framework and its steps was assessed by asking the participants questions about:

- The quality of its structural logic;
- The ease of understanding the framework and the steps;
- The agility of the framework with respect to continuous improvements; and
- The integration of the framework to the current methodology.

The participants rated these aspects according to a scale from 1 to 7, where 1 is very bad and 7 is very good, and the participants agree that the architectural aspects are well articulated, as illustrated in Figure 8.1.



**Figure 8.1:** Participant feedback on architectural aspects of the framework.

### Improvement suggestions

Finally, the participants are asked to provide suggestions as to how the framework can be improved to potentially enhance the fulfilment of its purpose.

The addition of the strategy and IDP review process was highlighted as a very important aspect that needs to be added to the framework in order for it to adequately capture where the bulk of citizen participation takes place.

The influence of politics in service delivery should be made public in order to enhance transparency and aid in expectation management of citizens.

Overall, the LGBTF was regarded as accurately depicting the current best practices in the industry as well as the best practices highlighted in the current literature discourse. However, the operationalisation was in need of improvements.

Section 8.5 illustrates the proposed improvement suggestions of the framework in more detail.

## 8.5 Framework improvements

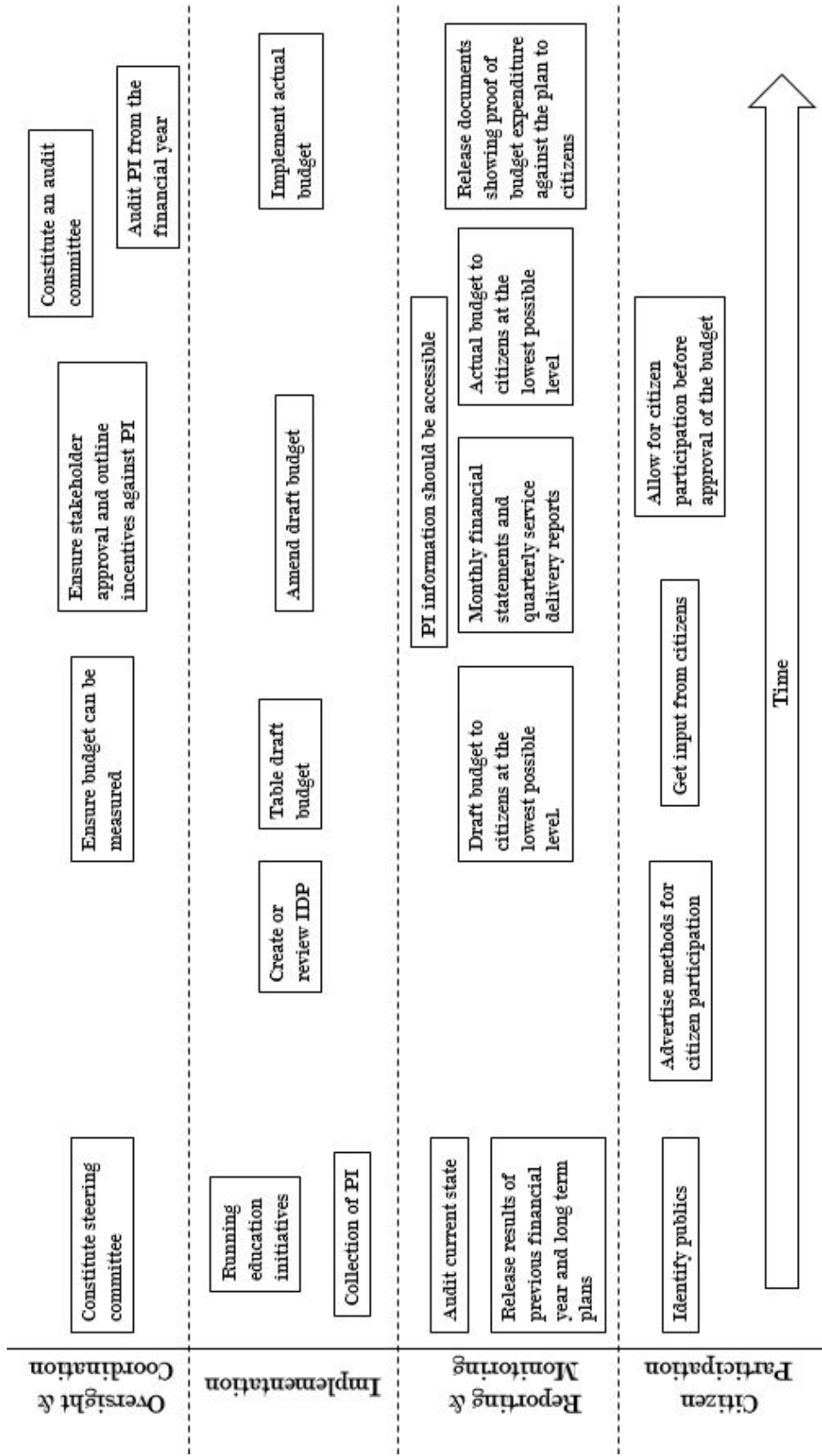
Shortcomings in the current proposed framework were revealed during the interview process. The shortcomings identified are aspects that need improve-

ment or future research. Figure 8.2 illustrates the operationalisation of the LGBTF, but with the improvement suggestions included.

The improvement entails that the process flow not be depicted as a relatively inflexible step by step operationalisation, but rather a flexible process involving many aspects that may or may not overlap over time. The steps are grouped according to four high level functions, but the steps and functions are not mutually exclusive and some steps may be considered as part of multiple functions. The four functions are:

- Oversight and coordination - The complete process of budget formulation and budget transparency and communication in local government requires inputs from various stakeholders and oversight and coordination is absolutely vital for success in such a multi-disciplinary context;
- Implementation - The IDP is added to the implementation function as it is the primary point for citizen participation and ultimately drives all budget considerations in local government in South Africa;
- Reporting and monitoring - Reporting all aspects of budget formulation and implementation can only be done with monitoring and it is vital for success; and
- Citizen participation - Citizen participation is key to budget formulation and budget transparency and communication in local government, but education initiatives are paramount for citizens to feel that they are making meaningful contributions to the process.

Figure 8.2: The improved operationalisation of the LGBTF.



## 8.6 Chapter conclusion

This chapter validated the LGBTF developed in Chapter 6 and verified in Chapter 7.

The purpose of Chapter 8 was to present the methodology and results of the LGBTF validation process. In Section 8.1 the validation design and philosophy was articulated and in Section 8.2.1 the validation objectives of this study were stated. This was done in fulfilment of PO2 and in response to RQ7: Does the framework adequately address the identified problem?

The validation of the LGBTF relies on the use of field research through case studies, along with feedback from subject matter experts. The field research took place at The City of Cape Town Metropolitan Municipality. The generic check list in identifying gaps to overcome in order to be at the desired state of budget transparency and communication was used to evaluate the current state of budget transparency and communication in a local government context in Section 8.4.1.

Data collection, through the use of structured interview were detailed in Section 8.4.3. Data collection through the use of structured interviews also increases validation as it allows for face validation to take place.

The knowledge gained through the validation and feedback from subject matter experts allows for improvement of the proposed framework, which was presented in Section 8.5. The validation and improvement of the framework ultimately takes place through tacit knowledge that cannot easily be codified and the conclusion can be made that the validation process complied with all generally accepted academic standard and requirements.

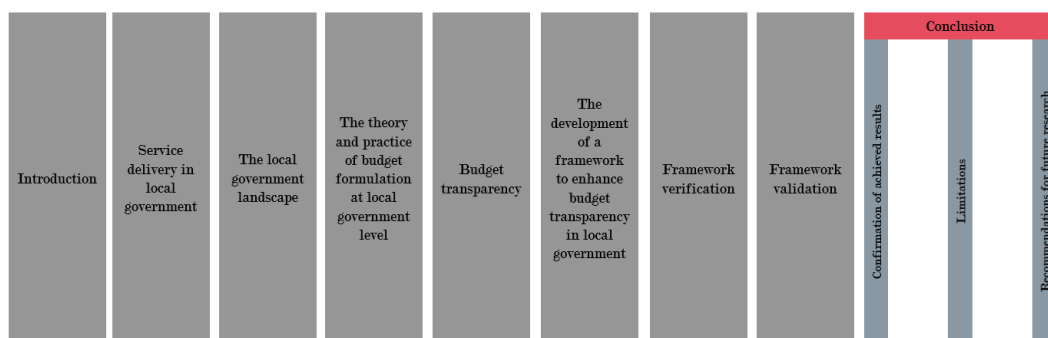
In Chapter 9 the focus will fall on vital learnings, recommendations regarding possible future research and a number of concluding remarks.

# Chapter 9

## Conclusion

“Dis amper verby. Alles  
verby. Dis amper verby.  
Probeer om positief te bly.”

— Fokopolisiekar - Belowe  
Jou Belowe My



The purpose of this last chapter is to summarise and conclude the conducted study. The chapter starts with a discussion and confirmation of the achieved results in Section 9.1. A discussion on the limitations affecting the outcome of the research is presented in Section 9.2, while the chapter concludes with a set of recommendations for future research in Section 9.3.

### 9.1 Confirmation of achieved results

The study had two primary research objectives and seven secondary objectives. Eight research questions were formulated to achieve these objectives. The achievement of the primary objectives was however dependent on the achievement of the secondary objectives. These objectives are presented in Table 9.1.

**Table 9.1:** Summary of achieved research objectives.

| Objective level | No. | Chapter    | Objective   |
|-----------------|-----|------------|---|
| Secondary       | 1   | 2, 3       | Define and contextualise the current state of service delivery as a function of local government in South Africa.   |
|                 | 2   | 4          | Evaluate best practice guidelines and frameworks for budgeting methodology in local governments in the current literature discourse.  |
|                 | 3   | 5          | Evaluate best practice guidelines and frameworks for communicating budget expenditure to citizens in local government in the current literature discourse.  |
|                 | 4   | 2, 3, 4, 5 | Identify the requirements of the framework.   |
|                 | 5   | 6          | Develop a conceptual framework to enhance budget transparency in local government. The aim of the framework is to manage citizen expectation and reduce the phenomena of service delivery protests in South Africa. |
|                 | 6   | 7          | Verify that the framework has been developed according to the identified requirements.  |
|                 | 7   | 8          | Validate the developed conceptual framework within the context of local government and use the knowledge gained through validation to improve the developed conceptual framework.                                   |
| Primary         | 1   | 6          | Develop a conceptual framework to enhance budget transparency in local government with the aim of managing citizen expectations and reducing the occurrence of service delivery protests.                           |
|                 | 2   | 7, 8       | Verify, validate and improve the developed conceptual framework.  |

Various summaries, figures, frameworks, and models were investigated during the pursuit of the objectives. A summary of these outputs and evidence that both the primary and secondary study objectives were achieved are presented in the next paragraphs.

**Objective 1:**

Service delivery in South Africa was introduced in Chapter 2, detailing the promises made by the first democratically elected government in South Africa. The violent service delivery protests, symptomatic of the “Rebellion of the poor”, resulting from the failure to deliver on the promises, are occurring with higher frequency and was also explored in Chapter 2.

A lack of communication, general incompetence and a lack of political will influences and exacerbates each other and are prominent causes for poor strategy execution, as detailed in Chapter 2. Poor strategy execution leads to poor service delivery which - along with high levels of unemployment and incidences of xenophobia - leads to an increase in protests and the “Rebellion of the poor”.

In order to better understand the role of this major contributing factor in the “Rebellion of the poor” the context within which local governments in South Africa operate were detailed in Chapter 3, with the identification of policies for cooperative governance and communication with citizens in Section 3.2. The legislative framework for budgetary decision making and the use of performance measures in local government budgets were discussed in Sections 3.4 and 3.5.

**Objective 2:**

Chapter 4 discussed the theory and practice of contemporary budgeting techniques. Section 4.2, discussed the role of budgeting and budgeting transparency for increasing organisation legitimacy. Cash-based (Input) and accrual-based (Output) budgeting techniques were discussed in Section 4.3 and a performance-based budgeting process that allows for inputs from stakeholders, particularly citizen participation, was identified as the best approach for enhancing the organisational legitimacy of local government in South Africa. This budgeting approach holds promise in terms of:

- Supporting the setting of goals and priorities in budgeting;
- Strengthening planning and decision making;
- Improving monitoring of performance;
- Increasing confidence and trust in local government;
- Increasing citizen engagement; and
- Enhancing accountability and transparency.

The conclusion was made that a performance-based budgeting process that allows for inputs from stakeholders may be the best approach for public sector budgeting in South Africa.

### **Objective 3:**

A functioning budget accountability system was detailed in Section 5.1, detailing the role of accountability, transparency and citizen participation. The pillars for budget transparency were discussed in Section 5.2 before tools for enhancing budget transparency were introduced in Section 5.3. In Section 5.3.2, the excellence theory of public relations was detailed as a suitable model for enhancing budget transparency and communication and emphasises the importance of a well developed and aligned public relations and communication strategy as a tool for enhancing budget transparency. The communication strategy, along with budget transparency, holds promise in terms of:

- The reduction of citizen apathy;
- Increased service delivery; and
- Increased local government revenue.

The three pillars for budget transparency, discussed in Section 5.2, and the minimum steps for achieving budget transparency in local government, presented in Section 5.2.2, formed the basis for the framework developed in Chapter 6.

### **Objective 4:**

The requirements for the budget framework were identified throughout the various literature review chapters. Following the systems engineering approach (Section 1.5), the requirements were gathered throughout the process of reviewing the literature to ensure a thorough analysis of the relevant theory. Altogether 16 requirements were identified. The complete list of requirements was presented in Section 5.5.

### **Objective 5:**

The requirements for a transparent LGBTF in line with PO2: verifying and improving the framework developed in Chapter 6 were verified. The requirements were compared to either a specific stage within the framework or the use of the framework conceptually. These were verified to have been satisfied by the framework, its use and its intention.



The chapter also verified the framework processes according to the desired state of budget formulation and the desired state of budget transparency and communication and found that the budget activities are in line with both the aforementioned.

### **Objective 6:**

A framework to enhance budget transparency in local government was developed in Chapter 6. The mechanism, referred to as the Local Government Budget Transparency Framework (LGBTF), does not aim to address all the causes of the “Rebellion of the poor” but to ensure transparency of budgetary decision making and expenditure in local government. The transparency of budgetary decision making and expenditure that allows for citizen participation will help with expectation management.

The LGBTF was developed and presented in the following manner:

- Section 6.1 was an introduction to the LGBTF and a discussion on all its components;
- The mechanism was grounded in theory in Section 6.2; and
- Practical and generic operationalisation guidelines were presented in Section 6.3.

The LGBTF is not only a theoretical model to be used within the confines of a laboratory but a practical mechanism that should ultimately become a tool that can be used by local government practitioners in South Africa. The operationalisation aims to facilitate the adoption of the framework and also aids in validation.

### **Objective 7:**

The objectives of Chapter 7 was to validate the LGBTF in managing the expectations of citizens and to comply with all generally accepted academic standards and requirements. The validation of the LGBTF relies on the use of field research through case studies, along with feedback from subject matter experts. The field research took place at The City of Cape Town Metropolitan Municipality. The generic check list in identifying gaps to overcome in order to be at the desired state of budget transparency and communication was used to evaluate the current state of budget transparency and communication in a local government context in Section 8.4.1.

Data collection through the use of structured interviews increased validation as it allowed for face validation to take place. The knowledge gained

through the validation and feedback from subject matter experts allowed for improvement of the proposed framework, which was presented in Section 8.5.

Section 9.2 discusses the limitations of the study.

## 9.2 Limitations

An important part of scientific research is acknowledging its unavoidable limitations. Limitations are characterized by the unique context and circumstances of a research effort and may restrict and influence its outcomes. The development and validation of a framework to enhance budget transparency in local government has the following limitations:

- The available resources of the study, such as time and funding, do not allow for an extensive validation process with the actual application of the framework in practice. The validation of the LGBTF relies on the use of field research through case studies, along with feedback from subject matter experts, but due to resource constraints a single case study was undertaken. Data collection through the use of structured interviews increased validation as it allowed for face validation to take place, however, this does not necessarily prove true validity when applying it in practice;
- The size and representativeness of the sample for structured interviews is an additional limiting factor to the study; and
- External validity, the potential of the framework to address the problem in other contexts, is not truly be proven in this study.

Section 9.3 provides recommendations for future research.

## 9.3 Recommendations for future research

The limitations of the study, derived through feedback received during the validation process as well as the acquired insight into the subject matter, lead to considerations that may be valuable to address in future research.

The recommendations for future research are:

- It is recommended to apply the framework in the field and test if the identified validity sustains;
- The further use of case studies and case study analysis to enhance the practical implementation and to test implementability;
- The framework focusses on local government, but it may be valuable to other public entities and enhance budget transparency outside of local government where public funds are applicable;

- Education initiatives aimed at enhancing public understanding of budgeting in the public sector need to be prioritised for investigation;
- Future research should address ways to implement cost effective measurement of PI; and
- A detailed scorecard to measure transparency is required to enable stakeholders to address critical areas first.

The recommendations stated above are propositions that could provide opportunities to advance budget transparency and the functioning of local government as a whole.

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# Appendices

# Integrated Development Programme and budget time schedule of the City of Cape Town

The City of Cape Town publishes and disseminates an Integrated Development Plan (IDP) and budget time schedule annually that outlines its budget processes and time lines in detail. The complete document, as provided by the City of Cape Town is presented here.

# INTEGRATED DEVELOPMENT PROGRAMME AND BUDGET TIME SCHEDULE OF THE CITY OF CAPE TOWN

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**Figure 1: Integrated Development Programme and budget time schedule of the City of Cape Town - Page 1 of 2.**

## IDP AND BUDGET TIME-SCHEDULE 1 JULY 2017 - 30 JUNE 2018 ANNEXURE A

| Item No. | Time Frame  | Deliverables   | Coordinating Directorate/Body  | Output   | Legislative Requirement and Information  |
|----------|---|--|--|--|--|
| 1        | May-August 2017   | IDP and Budget Time-schedule 2017/2018:<br>Tabling of IDP and Budget time schedule to Council for approval.  | Directorate of the Mayor   | Approved IDP and Budget time-schedule  | Municipal Finance Management Act 56 of 2003 Section 21(1)  |
| 2        | July - August 2017<br>August 2017 ongoing   | Budget Process:<br>Setting of Budget Agenda and timelines (Medium Term Revenue Expenditure Framework review) BSC/Mayor/EMT) i.e. Tariffs, policies and TMA.                        | Finance Directorate  | Strategic direction and guidance at commencement of budget process   | Municipal Finance Management Act 56 of 2003 Section 53 (1)   |
| 3        | By 25 August 2017   | 2017/2018 August Adjustment Process  | Finance Directorate  | 2017/2018 Adjustment budget and amended SDBPs  | Municipal Finance Management Act 56 of 2003 Section 28<br>Municipal Budget and Reporting Regulations 23  |
| 4        | July - August 2017  | IDP Review 2018/2019 process commences.  | Directorate of the Mayor   | Annual IDP Review 2018/2019  | Section 34 (a) Municipal Systems Act 32 of 2000  |
| 5        | August - October 2017   | IDP Amendment 2018/19 process commences.   | Directorate of the Mayor<br>Directorate: Area Based Management       | Processing in terms of Regulation 3 Section 79   | Municipal Systems Act 32 of 2000 Section 34 (b)<br>Regulation 3<br>Section 79  |
| 6        | August - October 2017   | Input into the 2018/2019 Budget process (Subcouncils, Portfolio Committees)  | All Directorates<br>Directorate: Area Based Management (subcouncils) | Submissions from committees and subcouncils.   | Municipal Finance Management Act 56 of 2003 Section 21   |
| 7        | Within ten working days after Mayor has tabled an adjustment budget in the municipal council. | Publication of approved adjustment budget on website.<br>Submit to National & Provincial Treasuries both printed and electronic formats.   | Finance Directorate  | Approved 2017/2018 Adjustment budget, IDP & SDBP's made public in official website and submission to National and Provincial Treasury. | Municipal Finance Management Act 56 of 2003 Section 28(7)<br>Municipal Systems Act 32 of 2000 Section 21(b)<br>Municipal Budget and Reporting Regulations 24,26 & 27(2)(b)       |
| 8        | August to November 2017   | Present Medium Term Revenue Expenditure Framework (MTREF) parameters and assumptions to Budget Steering Committee and other fora to prepare detailed Operating and Capital budgets | Finance Directorate  | Presentations outlining MTREF parameters and assumptions.  | Municipal Finance Management Act 56 of 2003 Section 21   |
| 9        | 20 January 2018   | Municipal entities to align their budgets and business plans with City's IDP and submit their mid-year budget and performance assessment to the City                               | Directorate of the Mayor<br>Finance Directorate Municipal Entities   | Aligned budget / mid-year budget and performance assessment  | Municipal Finance Management Act Section 87 (2) and (3)<br>Municipal Finance Management Act Section 88   |
| 10       | 25 January 2018   | Submission of Mid-year Review and performance assessment to the Mayor  | Directorate of the Mayor<br>Finance Directorate                      | Mid-year assessment  | Municipal Finance Management Act 56 of 2003 Section 72   |
| 11       | January - March 2018  | Mid-year budget and performance assessment visits  | Finance Directorate  | Assessment visits  | National Treasury Circular requirements  |
| 12       | 25 January 2018   | Submission of Mid-year assessment to National and Provincial Treasury  | Finance Directorate  | Submission of Mid-year assessment to National and Provincial Treasury  | Municipal Finance Management Act 56 of 2003 Section 72<br>Municipal Budget and Reporting Regulations 35  |
| 13       | Within 5 working days of 25th January of each year  | Publication of Mid-year budget and performance assessment  | Finance Directorate  | Publication of Mid-year budget and performance assessment  | Municipal Finance Management Act 56 of 2003 Section 72<br>Municipal Budget and Reporting Regulations 34  |
| 14       | 31 January 2018   | Submission of Section 72 report to Council   | Directorate of the Mayor<br>Finance Directorate                      | Section 72 report to Council   | Municipal Finance Management Act 56 of 2003 Section 54 (1W)  |
| 15       | January 2018  | Initiate process for IDP amendments relating to the mid-year (Updating the MTREF and Corporate Scorecard)  | Directorate of the Mayor   | Initiate process for IDP amendments  | Municipal Finance Management Act 56 of 2003 Section 54 (1)(c)  |
| 16       | January-March 2018  | Advertise the IDP amendments relating to the mid-year (Updating the MTREF and Corporate Scorecard) for comments.   | Directorate of the Mayor   | Advertise the IDP amendments relating to the mid-year  | Regulations issued in terms of the Local Municipal Systems Act, No. 32 of 2000 requires that the amendments to the IDP be published for public comment for a minimum of 21 days. |



**Making progress possible. Together.**

# INTEGRATED DEVELOPMENT PROGRAMME AND BUDGET TIME SCHEDULE OF THE CITY OF CAPE TOWN

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**Figure 2: Integrated Development Programme and budget time schedule of the City of Cape Town - Page 2 of 2.**

## IDP AND BUDGET TIME-SCHEDULE 1 JULY 2017 - 30 JUNE 2018 ANNEXURE A

| Item No. | Time Frame  | Deliverables   | Coordinating Directorate/Body   | Output   | Legislative Requirement and Information  |
|----------|---|--|---|--|--|
| 17       | By 28 February 2018   | 2017/2018 Mid-year Adjustment budget and SDBIPs (Corporate, Directorate & Department)  | Directorate of the Mayor<br>Finance Directorate   | 2017/2018 Adjustment budget (2) IDP and SDBIPs (Corporate, Directorate & Departments)  | Municipal Finance Management Act 56 of 2003 Section 28 & 54(1)<br>(c)<br>Municipal Budget and Reporting Regulations 23   |
| 18       | Within ten working days after the Mayor has tabled an adjustment budget in the municipal council. | Publishing Adjustment Budget on website and submit to National and Provincial Treasury   | Finance Directorate   | Approved Adjustment Budget being made available on official website and submission to National and Provincial Treasury.              | Municipal Finance Management Act 56 of 2003 Section 28(7)<br>Municipal Systems Act 32 of 2000 Sections 21(b) and 22(2)(b)<br>Municipal Budget and Reporting Regulations 24, 26 & 27(2)(b)  |
| 19       | March - April 2018  | Tabling and approval of the IDP amendments to Council. (Relating to the mid-year, updating the MTEF and Corporate Scorecard).  | Directorate of the Mayor  | Approval of the IDP amendments relating to the mid-year.   | Municipal Systems Act 32 of 2000 Section 34 (b)<br>Regulation 3  |
| 20       | March 2018  | Tabling amendments to budget related policies and IDP; Draft Amendments 2018/2019 as an annexure to the draft Budget 2018/19 - 2020/21 at Council.   | Directorate of the Mayor<br>Finance Directorate   | Budget and IDP Amendments 2018/2019  | Municipal Finance Management Act 56 of 2003 Section 16(2);<br>17(1)(c) and 21 (1)(b)(iii)<br>Municipal Systems Act Regulation 31(4)(a-b)   |
| 21       | April 2018  | Draft Review of SDBIP 2018/2019  | Directorate of the Mayor  | Draft SDBIP  | Municipal Budget and Reporting Regulations 14(2)   |
| 22       | April - May 2018  | National Budget and Benchmark Assessments and LG MTEC Provincial engagement  | Finance Directorate   | Budget and Benchmark Assessments / LG MTEC Provincial Assessment   | National Treasury and Provincial Circular requirements   |
| 23       | March - April 2018  | Public Comment: Publication of annual tabled budget including IDP 2018/2019 Draft Amendments as an annexure to the budget. Public comment on the draft Budget, including the IDP Draft Amendments 2018/2019.   | Directorate of the Mayor<br>Finance Directorate<br>Directorate: Area Based Management                     | Tabled Annual Budget incl. IDP Review 2018/2019 available for viewing and comment.   | Municipal Finance Management Act 56 of 2003 Section 22<br>Regulations issued in terms of the Local Municipal Systems Act, No. 32 of 2000 requires that the amendments to the IDP and tabled budget be published for public comment for a minimum of 21 days. |
| 24       | April 2018  | Submission of tabled annual budget and draft SDBIPs to National and Provincial Treasuries in both printed and electronic formats   | Directorate of the Mayor<br>Finance Directorate   | Tabled annual budget + SDBIPs submitted  | Municipal Systems Act section 16(a) and 17<br>Municipal Finance Management Act 56 of 2003 Section 22(b)<br>Municipal Budget and Reporting Regulations 15(3) (b)  |
| 25       | May 2018  | Council to approve IDP 2018/2019 Review and Amendments, BEPP and Budget document by resolution, setting taxes and tariffs, approve measurable performance objectives for revenue by source and expenditure by vote before the start of the financial year. | Directorate of the Mayor<br>Finance Directorate<br>Directorate: Transport and Urban Development Authority | Approved IDP Budget and BEPP for 2018/2019   | Municipal Systems Act 32 of 2000 Section 25 (1)<br>Municipal Planning by Law (MPBL) Section 6  |
| 26       | May 2018  | Submission of approved BEPP to National Treasury   | Directorate: Transport and Urban Development Authority  | Approved BEPP Report for 2018/2019   | National Treasury Guidelines on BEPP   |
| 27       | June 2018   | Submit approved IDP Review and Amendments 2018/2019 (including Corporate Scorecard) document to MEC Local Government within 10 days after Council approval   | Directorate of the Mayor  | Council resolution, MEC memo   | Municipal Systems Act 32 of 2000   |
| 28       | Within 10 working days after the Municipality approved the annual budget                          | Submission of approved annual budget to National and Provincial Treasuries in both printed and electronic formats  | Finance Directorate   | Submission of approved Budget and related documents including resolutions  | Municipal Finance Management Act 56 of 2003 Section 24(3)<br>Municipal Budget and Reporting Regulation 20  |
| 29       | Within ten working days after the Municipality approved the annual budget                         | Publishing the approved annual budget, IDP and Report on Public Comments on the City's website and displaying the documents at various locations   | Finance Directorate   | Publication of approved IDP and annual budget and related documents including resolutions  | Municipal Finance Management Act 56 of 2003 Section 22<br>Municipal Budget and Reporting Regulations 18<br>Municipal Systems Act 32 of 2000 Sections 21A and 21 B  |
| 30       | After budget approval   | Promulgation of rates and additional rates to be levied  | Finance Directorate   | Promulgation of rates and additional rates via Provincial Gazette  | Municipal Property Rates Act 14(3)   |
| 31       | After budget approval   | Submit link to Budget Document, Advert & Council Resolution to the MEC for Local Government  | Finance Directorate   | Submission of approved Budget and related documents including resolutions  | Municipal Systems Act 32 of 2000 Section 75A(4)  |
| 32       | June 2018   | SDBIP 2018/2019<br>a) City Manager submits draft 2018/2019 Corporate SDBIP and Directorate Executive Summaries and SDBIPs to the Executive Mayor for consideration, 14 days after approval of the budget   | Directorate of the Mayor  | Corporate SDBIP Book<br>Directorate SDBIPs (Executive Summaries and scorecards)<br>Department SDBIPs (Business Plans and scorecards) | Municipal Finance Management Act 56 of 2003 Section 69(3)(a)   |
| 33       | June 2018   | b) Executive Mayor approves 2018/19 SDBIPs within 28 days after approval of budget   | Directorate of the Mayor  | Final 2017/18 SDBIP Book<br>Corporate SDBIP<br>Directorate Executive Summaries and SDBIP<br>Departments Business Plans and SDBIPs    | Municipal Finance Management Act 56 of 2003 Section 53(1)<br>(c) (ii)  |

# Validation

## Questionnaire and feedback

### Problem Statement

The occurrence of service delivery protests was identified as a consequence of the “Rebellion of the poor”. While the causes for the “Rebellion of the poor” and subsequent service delivery protests are numerous, the lack of expectation management coupled with low rates of communication on budgetary decision making and the lack of budget transparency in local government has been identified as a major contributing factor.

### Questions

**Considering the research methodology that was followed, what is your opinion of the potential of the framework as guidance to local governments in South Africa to enhance budget transparency?**

**P1** “The framework has the potential to be used in managing expectations, if the political will exists to implement and execute the necessary steps.”

**P2** “The framework has the potential to be used in managing expectations, however, the influence of politics cannot be ignored. The stated problem requires a highly integrated approach between departments within local government. The framework addresses budget formulation, transparency and communication, but there are more role players that require process coordination and integration.”

**P3** “Service delivery protests are often politically motivated and occur as a result of expectations created by promises. These promises are made by people who are not at liberty to make any promises, let alone keep them.”

“The City of Cape Town has an excellent service delivery record, yet still sees an above average number (compared to other local governments in South Africa) of service delivery protests.”

“Without the political will, the framework will not succeed in addressing the problem.”

**P4** “The framework has the right elements and the potential to be used as an expectation management tool, possibly reducing the frequency of service delivery protests. However, political interference cannot be ruled out of the local government context when decisions on expenditure are made.”

**P5** “I think the framework has great potential to assist local governments to help manage citizens’ expectations in what is possible and what is not possible in terms of the budget. One would hope that a transparent budget process would already be the order of the day, but it seems not. The framework is fairly simple and easy to understand, although it would require an overhaul of the current budget process. It would probably require a new job description in the local government structure, someone whose sole job it would be to drive the process and put in place the requirement communication and participation processes.”

**In your opinion, what are strong points of the proposed framework?**

**P1** “Agrees with current best practice and the laws and legislation of local government. The City of Cape Town has started ways of improving the use of performance information for budget formulation. Marketing initiatives are also being investigated. ”

**P2** “The framework relates well to the current practices within the City of Cape Town. The current practices in the City of Cape Town are based on best practice assessments and are being driven by their own Strategic Management Framework, which bears many resemblances to the proposed framework. The framework can assist in enhancing transparency into the budget formulation process at local government.”

**P3** “Education initiatives, not only concerning the budgeting and citizen participation process, but around the workings of government in South Africa as a whole is definitively something that would add a lot of value. The lack of resources, however, creates a stumbling block. ”

**P4** “The fact that the framework is based on performance-based budgeting is excellent, but performance measures are subject to being manipulated to achieve certain outcomes instead of being used to improve efficiency.”

**P5** “Introducing communication and citizen participation early in the budget process is very important as it holds citizens accountable to the budget decisions taken with their input. It also allows for the gathering of information on citizen perceptions and attitudes on which education and marketing material can be built, instead of creating this material blind. With the public service being mired in allegations of mismanagement and corruption, and people these days having access to all kinds of information and being more and more sceptical to accept authorities decisions on face value, transparency of governance processes is absolutely crucial.”

**In your opinion, what are weak points of the proposed framework?**

**P1** “The operationalisation does not adequately display the influence of the strategy and IDP review process - where most of the citizen participation takes place. The budget adjustment process is also missing.”

**P2** “The proposed framework does not adequately detail the influences that play a role in budget formulation and the influence of the administrative strategy on the formulation process. The IDP is not shown as the starting point of budget formulation, as should be the case. The IDP is the strategic plan for the City and according to legislation a plan that belongs to the political party that govern the city, its citizens and the public. The Service Delivery Budget Implementation Plan should be referenced/displayed as part of budget implementation. The reporting of the city’s performance is covered in the Annual Report.”

**P3** “Measuring performance according to annual expenditure alone is near impossible as many projects and initiatives are either ongoing or take place over many years, however, capital expenditure is currently linked to performance information and does inform the budgeting process in this regard. Operational expenditure is only informed by strategic objectives at this point.”

“Performance measurement at the level implied by best practice in the current literature is not plausible in local governments in South Africa due to the amount of overhead needed and the lack of resources.”

“The reporting phase could be highlighted more.”

**P4** “The budget of a local government for the following year is often reduced when the current budget is not completely spent by the end of a financial year. This fact is often prioritised above efficient spending, creating a hurdle for effective performance measurement and the creation of suitable performance



measures.”

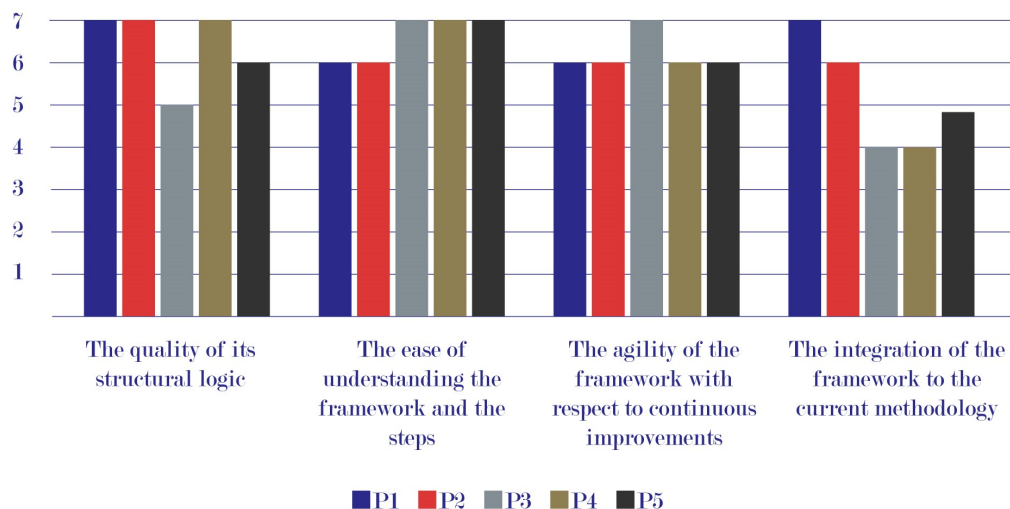
**P5** “I’m concerned about the cost of the framework, as well as the available capacity to apply it in local government structures, especially in rural areas. I would have also hoped to see a more detailed breakdown of the activities of the structure, formulated as instructions on timelines, education material and communication, although I understand that that is essentially not the task of a framework as such, which strives to give guidelines only.”

**Please rate the following structural aspects of the framework.**

Participants are asked to rate the following aspects of the LGBTF and its operationalisation on a Likert Scale, where 7 is very good and 1 very bad.

- The quality of its structural logic;
- The ease of understanding the framework and the steps;
- The agility of the framework with respect to continuous improvements; and
- The integration of the framework to the current methodology.

**Figure 3:** Participant feedback on architectural aspects of the framework.





**In your opinion, how can the framework be improved?**

**P1** “The addition of the strategy and IDP review to the operationalisation as well as the budget adjustment process is needed. The budget is reviewed in the middle of the budget cycle, which also requires the same exercises to take place, such as citizen participation and performance measurement.”

**P2** “Strategy formulation should be the starting point of the process. The formulation of the IDP (every 5 years) and the citizen participation that goes along with it, should be displayed as well as the annual amendment of the IDP and the MTREF. Planning should take place with awareness and be an iterative process. The influence of politics on budget formulation should be made public as soon as an incident is identified. Take note of political climate as part of contextual analysis.”

**P3** “An oversight and coordination level should be added to the framework operationalisation, this also allows for the audit and steering committee, etc.”

**P4** “Different directorates might find more value in zero based budgeting than performance-based budgeting.”

**P5** “The framework should differentiate between larger and smaller local governments in order to allow for different approaches in terms of cost of implementation.”